National Asset Management Agency

Annual Report & Financial Statements

2021

National Asset Management Agency

€4.9 billion

Total projected NAMA contribution to the Exchequer (€4.5 bn surplus + €400m tax).

€3.4 billion paid to the Exchequer to date.

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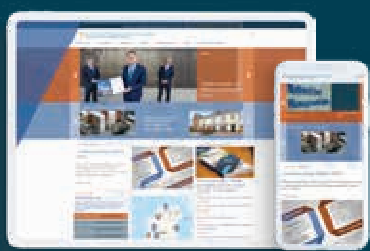

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Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

17 May 2022

Mr Paschal Donohoe T.D.
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

Dear Minister,

We have the honour to submit to you the Report and Accounts of the National Asset Management Agency for the year ended 31 December 2021.

Yours sincerely,

Aidan Williams
Chairman

Brendan McDonagh
Chief Executive Officer

01
Introduction

STRATEGIC OBJECTIVES SET BY THE NAMA BOARD

Generate the largest surplus

The Board's primary commercial objective is to generate the largest surplus that can feasibly be achieved, subject to prevailing market conditions, by the time NAMA completes its work. To meet this objective, NAMA will manage assets intensively and invest in them so as to optimise their income-producing potential and disposal value.

Progress: €47 billion cash generated since inception with €3 billion surplus paid to Exchequer.

1

Intensive asset management of residential sites

NAMA aims to facilitate delivery of up to 1,800 new residential units from 1 January 2022 to end-2025, subject to commercial viability. Through intensive asset management of its remaining residential sites, NAMA also aims to optimise their realisable value and maximise the number of sites that are ready for future development.

Progress: Original 2015 target of 20,000 houses has been exceeded with a cumulative 24,000 houses facilitated and delivered since 2014.

2

Facilitate the delivery of office accommodation

NAMA will conclude the delivery of Grade A office accommodation in the Dublin Docklands SDZ; it will contribute, not only in terms of project funding, if required, but also in bringing coherence, direction and drive to the delivery process.

Progress: 94% of sites in which NAMA held an interest in the Docklands are construction complete or sold.

3

Phased and orderly wind down

NAMA aims to conclude its work no later than December 2025 through a phased and orderly wind down, having regard to the primacy of its Section 10 commercial mandate. NAMA aims to continue to meet all future commitments out of its own resources.

Progress: Plan for the orderly dissolution of the Agency submitted to the Minister for Finance in December 2021.

4

Make a positive social and economic contribution

Subject to the primacy of its Section 10 commercial mandate but often complementing it, and within the context of a much-reduced secured portfolio, NAMA will seek to make a positive social and economic contribution across its remaining activities.

Progress: 2,687 social housing units have been delivered by NAMA to date.

5

FINANCIAL HIGHLIGHTS

2021 Profit	**€195 million** 2020 profit after tax - **€192 million**
2021 Surplus Transfers	**€1 billion** Cash totalling **€3 billion** transferred to the Exchequer by end 2021
Lifetime Surplus	**€4.5 billion** Projected total surplus representing an increase of **€250 million** on the previous projection
2021 Cash Generation	**€671 million** Cumulative cash generated since inception - **€47 billion**
2021 Disposal Receipts	**€619 million** Cumulative disposal receipts since inception - **€40.4 billion**
Tax Payments	**€416 million** Corporation tax paid since inception
2021 Year-End Loan Portfolio	**€715 million** Investment properties and equity investments - **€336 million**

BUSINESS HIGHLIGHTS

Residential Delivery Progress to end-March 2022

NAMA exceeded its 20,000 unit residential delivery target during 2021 with 21,000 units facilitated and delivered between October 2015 and end-2021.

24,000
new residential units have been facilitated by NAMA since 2014

=

13,300
delivered through NAMA funding

+

10,700
delivered on sites formerly secured to NAMA

Unit Delivery Pipeline

3,000 UNITS
are under construction or have funding approved for construction

1,300 UNITS
have been granted planning permission on sites to be sold

5,500 UNITS
have planning applications lodged or being prepared

9,700 UNITS
potentially deliverable on sites post-2025, subject to planning and infrastructure

Dublin Docklands SDZ Progress to end-March 2022

5%

UNDER CONSTRUCTION

Construction is underway on 215,000 sq. ft. of commercial space

57%

CONSTRUCTION COMPLETE

Projects comprising 2.38m sq. ft. of commercial space and 606 residential units have been completed and/or sold

37%

SITES SOLD

Sites with planning permission for 1.57m sq. ft. of commercial space and 1,427 residential units have been sold

Note: remaining 1% relates to Block 19 which has capacity for 56k sq. ft. commercial space and 150 residential units

Poolbeg West SDZ Progress to end-March 2022

570 UNITS

PLANNING GRANTED

Planning permission has been granted for 570 residential units (including 143 social and affordable homes) within the first phase of the development

356 UNITS

PLANNING SUBMITTED

A planning application has been submitted for 356 residential units (including 92 social and affordable homes)

Social Housing

2,687

HOMES

delivered by NAMA for social housing, excluding those delivered under Part V arrangements on NAMA-funded residential developments

7,355

PROPERTIES IDENTIFIED

Since 2012, NAMA has identified 7,355 properties from its secured portfolio and offered these to local authorities for social housing

CHAIRMAN'S STATEMENT

I'm delighted to report that NAMA finished 2021 in a strong position as we moved closer to the successful completion of our mandate. Our progress is evident from the milestones we achieved during 2021. We continued the transfer of our surplus to the Exchequer, bringing the total paid to date to €3 billion.

We expect to transfer a further €500m during 2022 and I am pleased to report that we are now in a position to increase our terminal surplus projection by €250m to €4.5 billion. Combined with the circa €400 million paid by NAMA in corporation tax, our total contribution to the Exchequer is some €4.9 billion – a significant achievement and a testament to the dedication, professionalism and persistence of the people working for the Agency, both past and present.

Aidan Williams
Chairman

Significantly, we achieved our ambitious 20,000 unit residential delivery target in November 2021 and the completion of construction is now imminent on our remaining interests in the Dublin Docklands SDZ. Both of these delivery programmes originated back in 2014 when, following a review of the Agency, the then Minister for Finance tasked NAMA with two new ancillary mandates. The first was to ensure the timely and coherent delivery of key Grade A office, retail and residential space within the Dublin Docklands SDZ and Dublin's Central Business District. The second was to maximise the delivery of residential housing units by the provision of funding to debtors and receivers or by progressing sites through the development life cycle.

It is clear that NAMA has successfully delivered on both of these mandates. Our residential delivery targets have been exceeded with a total of 24,000 units facilitated and delivered to date. We now aim to directly deliver a further 1,800 residential units from our secured portfolio by the time we complete our work in 2025. In the Dublin Docklands, we have either sold or completed construction on 94% (4m sq. ft.) of our original interests in the area. In fact, two of our first major initiatives in the Docklands area – Dublin Landings and Bolands Quay – were recently completed and now constitute landmark developments in Dublin City. These developments are an excellent example of NAMA's work on behalf of the State. We are very proud of the Agency's role in bringing them to completion and I would encourage anyone living in Dublin or visiting the city to come and see them for themselves. They form part of a much wider redevelopment of the Dublin Docklands, which has created a new urban quarter, opening up public access to a large area of the city which was previously derelict and in need of regeneration. It has also been crucial in attracting foreign direct investment and new employment to Dublin city, and in bringing a new vibrancy and vitality that will benefit the people who live and work there. We aim to finish off what remains of our work in the Docklands area over the coming year and bring a conclusion to what has been a truly transformational project and one that, we hope, will leave a lasting positive legacy for generations to come. This process is progressing well, as evidenced by the recent lettings of the landmark Exo building to An Post and of Ten Hanover Quay to Fiserv, which comprised the two largest office leasing transactions in Ireland of Q1 2022.

While chiefly a commercial entity, NAMA is not just about generating financial returns. We are conscious of the impact of our work on the wider Irish economy and have always been committed to making a broader social and economic contribution wherever this is consistent with our statutory mandate. For instance, NAMA has worked with the Department of Education to provide sites for 23 schools to date. However, our social contribution is most evident from our social housing delivery programme. To date, we have delivered 2,687 homes for social housing, exceeding our original 2,000 unit target by 30%, and are in negotiations to facilitate the delivery of a further 189 units from our newly built residential stock. Importantly NARPS, our dedicated social housing entity which owns 1,366 social housing units, is earmarked to transfer to

2021 PROFIT	SOCIAL HOUSING DELIVERED	REMAINING LOAN PORTFOLIO
€195m	2,687	€715m

the Land Development Agency, thus safeguarding this important portfolio of homes in State ownership.

Even after NAMA has concluded its activities, our beneficial work in the area of social housing will continue through the development of the site at the Poolbeg West SDZ. NAMA continues to hold a 20% interest in this development which, when fully complete, will provide 3,800 residential units, including 950 social and affordable homes, making it the single largest social housing development undertaken in Ireland in recent decades. At this time, the first important milestone of the development has been reached with planning granted by Dublin City Council for the first 570 units. The overall planning scheme also incorporates a school and other community, social and cultural amenities.

It was always intended that NAMA would have a limited lifespan and, in light of the excellent progress made by the Agency over recent years, the NAMA Board has turned its focus to devising and implementing strategies for the final phase of NAMA's work and the Agency's ultimate dissolution. NAMA has submitted a plan to the Minister for Finance which sets out the steps we will take to achieve dissolution by end-2025, while ensuring that we continue to make a valuable contribution from our remaining activities. As I mentioned above, we will seek to deliver an additional 1,800 new homes if commercially viable over the coming years. However, increasing construction costs are making commercial viability very challenging. We are hopeful that our asset management activities will result in a further uplift to our lifetime surplus by end-2025, if market conditions permit. That is not to say that this final stage will be straightforward. It will be challenging to scale down the many facets of the organisation while maintaining our track record of progress and success. Careful management of staff and resourcing requirements will be critical during this time as we right-size to fulfil our mandate.

Over the years, NAMA has curated a specialised and effective team with in-house capability to provide expert advice and management for each area of NAMA's business. Our staff expertise spans many different disciplines including debt management, property, planning, finance and legal. This platform has enabled NAMA to successfully navigate complicated commercial transactions and development ventures in a highly cost-effective manner without undue reliance on external consultants. However, as we progress towards dissolution, the challenge of staff retention becomes more acute. Our people have skills that are highly valued by other employers who can offer them certainty over their future career for the medium and long term in a way that NAMA, in its wind-down phase, cannot match. The Board are very conscious that retaining sufficient staff with the appropriate skillsets all the way to the end of NAMA's lifetime is essential to ensure the Agency can continue to meet its objectives and successfully complete its mandate.

While NAMA has not always enjoyed positive coverage of its activities locally, it is worthwhile to note that the Agency is seen in other countries as a model undertaking in state-sponsored debt resolution. This view is underpinned in a recently published report jointly written by the European Central Bank and the Asian Development Bank. The purpose of the report was to detail key lessons learned from international experiences of managing non-performing loans and relevant policy implications. I am proud that the report cited Ireland as "one of the best examples" of successful implementation of a state-backed asset management company and remarked that NAMA's additional requirement to redeem senior debt was "achieved with efficiency". In this regard, it is important to recognise NAMA's strong working relationship with the Minister for Finance and the Department of Finance.

Much of the credit for NAMA's achievements must go to the dedication, hard work and ability of our staff over the years, who are so proficiently led by the CEO and his executive team. On behalf of the Board, I thank them for the immense contribution they have made. I also wish to acknowledge the valuable work and contribution of the NAMA Board and members of the Board Committees, whose commitment and dedication to the Agency has been steadfast throughout. Finally, I am grateful to staff in the wider NTMA who provide us with essential services, particularly in enabling the entire organisation to work remotely so seamlessly over the past two years.

We are conscious that our annual report is being published during a grave humanitarian crisis arising from the Russian invasion of Ukraine. Among the devastating impacts of this conflict is amplified global economic uncertainty and we will carefully monitor geopolitical and economic developments in the context of risk management of our remaining assets.

NAMA's final phase provides us with an opportunity to build on our excellent progress to date. It is an opportunity we will endeavour to make the most of. We will utilise our unique skills and expertise, built up over more than a decade of complex asset management and high-value debt resolution, to enhance our contribution to the State. We will aim to deliver 1,800 new homes to the Irish residential market, a surplus of close to €5 billion and, more generally, to leave a positive economic and social legacy after we complete our work.

Aidan Williams
Chairman

CHIEF EXECUTIVE'S STATEMENT

Following the considerable progress made by NAMA over the past decade, we are now firmly in our wind-down phase, aiming to reduce the balance sheet to zero by the end of 2025. The carrying value of our loan portfolio at end-2021 was €715m, significantly reduced from its original value of €31.8 billion. We are well on our way to achieving our aim.

NAMA continued to make good progress in deleveraging its loan portfolio during 2021, as can be seen from our successful cash generation of €671m. Equally, NAMA is reporting a substantial profit of €195m for 2021 which is almost equivalent to our 2020 profit. Our performance in 2021 is all the more remarkable given the late stage of our operations and greatly reduced portfolio. It is the result of long-term value-add strategies implemented by NAMA in earlier years, a prime example of which is our profitable return on Project Pembroke; this site in the Poolbeg West SDZ was subject to extensive preparatory work by NAMA over a lengthy period while the relevant planning authorities put the necessary framework in place, which in turn allowed the project to be brought to the open market.

Brendan McDonagh
Chief Executive Officer

Our 2021 financial performance was underpinned by a net gain of €181m in the fair value of our debtor loan portfolio, stemming from sizeable uplifts in the values of the underlying assets. The gain reflects meticulous asset enhancement work undertaken by NAMA in previous years, as well as market-related factors. This activity is a core element of NAMA's strategy and is particularly evident from our dedicated work on sites with residential development potential, which I will discuss in further detail below.

NAMA's recent deleveraging progress must be viewed in the context of the profile of the remaining assets. Our residual portfolio is increasingly granular and is at a stage where it mainly comprises low-value assets. Some of these assets are compromised by legal or other complex issues which impact disposal strategies. In these circumstances, the time and resources required to monetise problematic assets can often rival those required to dispose of significantly larger, more valuable assets. However, NAMA has a successful track record of debt workout and has built up specialist skills and experience that leave it uniquely positioned to extract maximum value from these assets.

As the Chairman observed in his statement, NAMA reached a significant milestone in November 2021 when we fulfilled our objective of facilitating the delivery of 20,000 residential units. This target was originally set in October 2015 and was based on the future delivery potential of residential land in NAMA's secured portfolio at that time. Over the following years, many NAMA debtors availed of their commercial right to refinance their NAMA loans with other lenders or sell their assets to repay their debts, thus removing significant holdings of land from the NAMA portfolio. Preparatory work undertaken by NAMA was valuable in enabling the subsequent delivery of units on those sites and new homes delivered in this way therefore comprise the indirect proportion of NAMA's residential delivery programme. Including housing delivered by NAMA in the period up to October 2015, NAMA has facilitated the delivery of an impressive 24,000 residential units to date, making it one of the biggest contributors to the supply of new housing in the State in recent years.

Notwithstanding the recent achievement of this challenging target, we remain resolutely focussed on facilitating the delivery of as many residential units as possible, subject to commercial viability, by the time NAMA winds down. Currently, 500 units are under construction on NAMA-secured sites and NAMA has approved conditional funding which should enable the delivery of 1,800 units. These units represent the totality of NAMA's future direct delivery potential as, under the terms of its commitment to the EU Commission, NAMA was precluded from approving new development funding from the end of 2021 onwards.

DUBLIN DOCKLANDS

94% complete or sold

SURPLUS PAID

€3bn

RESIDENTIAL UNITS DELIVERED

24,000

It should be noted that, even with funding approved, the delivery of these units will be challenging, owing to external issues such as cost and viability. It is also possible that debtors could exercise their commercial rights to refinance their loans, which would have the effect of putting the delivery of corresponding units outside of NAMA's control. In the past year, unprecedented increases in the prices of raw materials have resulted in significant construction cost inflation and price uncertainty. Further disruption to supply chains and escalating energy prices arising from developments in Ukraine could put the viability of some projects at risk while adding to inflationary pressures.

As regards NAMA's remaining landbank, many sites are not yet suitable for residential development owing to a lack of appropriate planning, zoning, or essential infrastructure and services. Rather than simply "hoarding" these sites, doing nothing and passively waiting for asset values to increase, NAMA is actively asset managing them by investing in planning and infrastructure to improve their readiness for future development. The development timeline for residential sites is frequently underestimated and a significant number of steps are involved, even just to obtain planning permission. Initially, there may be legal or title issues requiring resolution. Then, feasibility studies need to be undertaken, and design teams and other professionals need to be appointed. Finally, pre-planning consultations with local authorities and An Bord Pleanála and commercial viability assessments are required. After planning applications are lodged, any subsequent appeals or judicial reviews need to be managed. NAMA is working with its debtors and receivers to progress each of these steps on many of its remaining sites. This is an important part of NAMA's work as, not only does it enhance the value of landbanks, consistent with NAMA's commercial mandate, it ensures that residential sites are "shovel-ready" for development while maintaining a strong development pipeline which will assist in delivering the Government's future housing targets.

Where possible, NAMA aims to contribute to the transition to a low carbon and climate resilient society. Sustainability and impact on the environment are key considerations in residential and commercial developments facilitated by NAMA. These developments frequently feature best-in-class building technology and energy systems to improve efficiency and limit use of resources. Beyond energy requirements, sustainability is evident from the delivery of high-density mixed-use commercial and residential development in areas of demand with existing infrastructure, ensuring compact urban development consistent with the Climate Action Plan. In addition, NAMA provides funding for high standards of landscaping incorporating sustainable walking and cycling infrastructure, together with the planting of native Irish tree species and pollinator-friendly plants.

To support these and other initiatives, we have established a Green Environmental Committee. This committee works with NAMA business units to identify opportunities for sustainable ventures which are consistent with NAMA's commercial remit, and support staff to reduce their carbon footprint. Our aim is to ensure that NAMA can make the best possible contribution to the environment within its remaining lifetime.

The last few years have witnessed much volatility in the global economy. The Covid-19 pandemic, while still with us, has been alleviated significantly by cohesive government action and the mass rollout of vaccinations. The Irish economy is recovering well and the impact of the pandemic to NAMA's asset portfolio has been largely mitigated. This was due in no small part to the commitment, resilience and flexibility of NAMA staff who continued to deliver strong results for the Agency while primarily working remotely. The ongoing climate crisis has a particular resonance to NAMA as we strive to ensure the sustainability of our development activity. However, the scale of the economic impact arising from the Russian invasion of Ukraine is more immediate and uncertain at this time and will depend in part on the duration of the war and policy responses. While business and economic considerations pale in comparison to the grave humanitarian crisis that is currently unfolding in Ukraine, the conflict will also inevitably have negative consequences for the global economy. We will be vigilant in monitoring how each of these factors affects the Irish economy and in seeking to mitigate their impact on NAMA's assets.

Finally, I wish to express my appreciation and admiration for the NAMA Chairman, Board members, Committee members, the Executive Team and all NAMA staff for their unstinting dedication to deliver the best possible outcome for the taxpayer. We now project our lifetime dividend to be close to €5 billion, which is a major achievement and considerably more than anyone predicted in the early years of NAMA.

Brendan McDonagh
Chief Executive Officer

02
Business Review

NAMA's statutory mandate is to deal expeditiously with and obtain the best achievable financial return from its acquired assets. The NAMA Board-approved objectives are consistent with this mandate and the Agency has structured its business accordingly, focussing on cash generation and disposals, as well as asset value enhancement through residential and commercial development.

Debtor Engagement

NAMA initially acquired the loans of some 5,000 borrowers which were consolidated into approximately 800 debtor connections. NAMA's preferred approach is to work consensually with debtors however, in certain circumstances, this is not feasible and enforcement action is necessary in order to protect the value of the assets.

By end-March 2022, the loans of some 144 debtors remained under the management of NAMA. 106 debtors are actively engaging with NAMA including 43 in support strategies and 63 subject to enforcement with receivers appointed. The remaining 38 debtors are being monitored under forbearance strategies or exit agreements.

NAMA Portfolio: 2022-2025

NAMA aims to conclude its work no later than end-December 2025. During the period 2022 to 2025, in the context of its residual portfolio, NAMA will:

- Continue deleveraging activities, including the intensive management of remaining loans and secured assets, in order to maximise disposal proceeds. NAMA aims to achieve an uplift to its lifetime surplus from this activity.
- Provide approved funding for commercially viable residential development, on prevailing market terms. NAMA aims to facilitate the delivery of an additional 1,800 residential units between 2022 and 2025.
- Asset manage key strategic residential development sites in preparation for sale.
- Maximise the number of residential sites that are ready for future development through achievement of suitable planning permissions.
- Transfer the NARPS social housing portfolio to the Land Development Agency (LDA) (value on transfer will form part of the lifetime surplus).

DELEVERAGING ACTIVITY

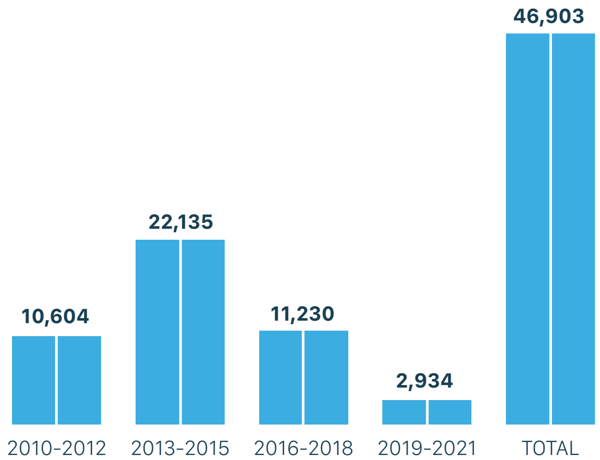
NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans. NAMA's approach to delivering on this objective has been twofold:

1. Strategic asset management and investment in order to improve the income generating potential of assets and enhance their future disposal value; and
2. Phased and orderly release of assets for sale in a manner consistent with the level of demand, the availability of credit and the absorption capacity of each relevant market.

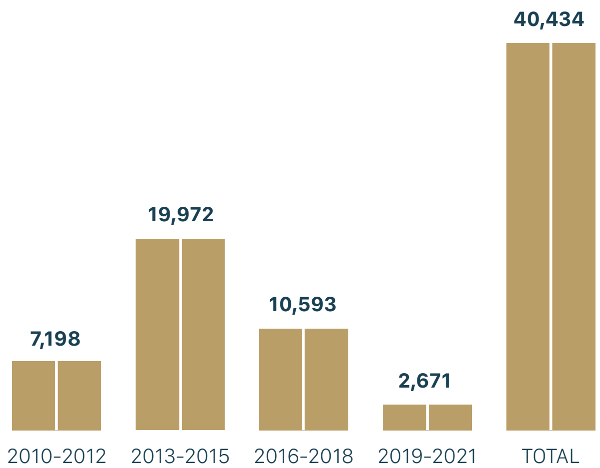
By end-2021, NAMA's acquired portfolio was 98% deleveraged with total cash generated of €46.9 billion. The significant cash generated enabled NAMA to accelerate the repayment of all €31.8 billion debt issued to acquire loans (including €30.2 billion in Government-guaranteed debt) and to commence the transfer of its multi-billion-euro surplus to the Exchequer.

Cash is primarily generated through asset and loan disposals. The cumulative value of loans and assets sold to end-2021 was €40.4 billion. A further €6.5 billion has been generated from non-disposal income, mainly comprising rental income from secured properties and proceeds from the refinancing of loans.

CASH GENERATION €M



DISPOSAL RECEIPTS €M



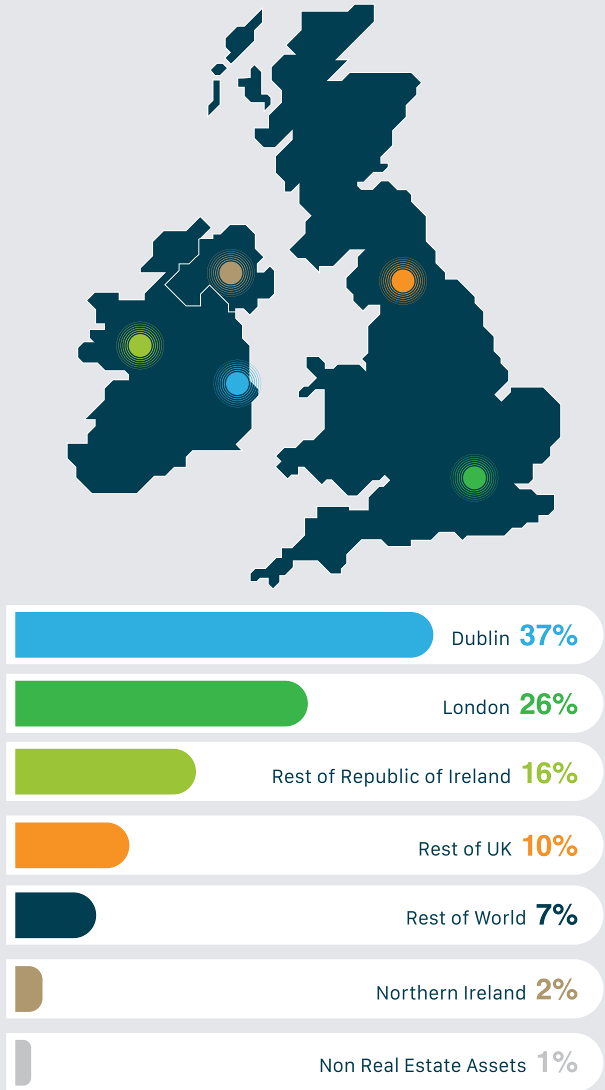
Deleveraging Progress

During NAMA's early years, conditions in the Irish market continued to deteriorate. In order to generate cash and meet debt repayment targets, NAMA focussed on disposals of assets based in the UK where the market was buoyant. A programme of intensive asset management was pursued in relation to Irish assets to enhance their disposal value once market conditions improved.

From mid-2013, improving market conditions enabled NAMA's debtors and receivers to accelerate sales of Irish assets. NAMA exploited increasing investor interest in Irish real estate by creating tailored portfolios of properties and loans for sale and phasing their release to the market. This helped sustain the positive momentum in the Irish market while maximising the return to NAMA. During the period 2013 to 2018, over €30 billion cash was generated by NAMA.

By end-2018, NAMA's acquired portfolio had been significantly deleveraged and the remaining loans were primarily secured by assets which formed part of NAMA's residential and commercial delivery programmes, as well as low value or compromised assets.

DISPOSALS BY LOCATION SINCE INCEPTION



DISPOSALS BY SECTOR SINCE INCEPTION (IRELAND)

33% Residential
20% Retail
18% Land & Development
17% Office
6% Hotel & Leisure
4% Other
2% Industrial

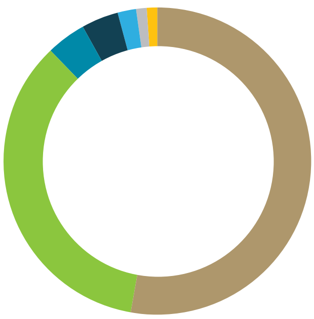
Development Funding

NAMA judiciously advances capital to its debtors and receivers in cases where it can be shown that such funding will protect or enhance the value of secured assets. In excess of **€4 billion** has been advanced to date in capital expenditure for the following purposes:

- investing in existing properties in order to improve their income producing potential and increase their appeal to potential purchasers.
- the planning, design and construction of new residential and commercial projects.
- infrastructure works, as necessary, to facilitate developments.
- essential expenditure such as fire safety works to ensure that properties are compliant with health and safety requirements.
- remediation works to bring unfinished or defective housing to a habitable standard.

All funding is procured from NAMA's own resources without any reliance on the Exchequer.

CAPITAL EXPENDITURE FUNDING BY SECTOR SINCE INCEPTION



53% Residential
35% Land & Development
4% Other
4% Office
2% Retail
1% Hotel & Leisure
1% Industrial

Vacant units in NAMA's secured portfolio

NAMA ensures that its debtors and receivers keep vacant periods in residential properties to a minimum. As at end-March 2022, NAMA held security over approximately 170 vacant residential properties.

Over 70% of these properties are currently uninhabitable as they:

- are derelict or in need of extensive remediation, or
- require extensive fitout works or may not be fully compliant with relevant health and safety requirements.

Of the remaining vacant units, some are currently on the market for letting and a level of frictional vacancy – i.e. short-term vacant periods between tenancies – is included in the figure. Otherwise, there is a variety of reasons why a vacant property may not currently be available for letting:

- Newly built residential properties (and show houses), while not currently occupied, are being actively marketed, or are sale agreed or contracted (80% of NAMA's vacant stock is contracted for sale).
- A small number of units within apartment developments undergoing remediation are often left vacant in order to temporarily house tenants who cannot occupy their own apartments while works are being carried out.
- Some properties are compromised by legal or other issues which need to be resolved before they can be rented or sold.

NAMA works with its debtors and receivers to devise appropriate strategies for vacant units, including assessing the suitability of the units for social housing and, if feasible, offering them to local authorities for purchase at market value.

RESIDENTIAL DELIVERY

In order to help address emerging residential supply shortages in Ireland, NAMA initiated a residential delivery programme in 2014, identifying suitable residential sites within its secured portfolio and assessing their viability for development funding. This activity also provided an opportunity to enhance the value of land assets, consistent with NAMA's wider strategic objectives.

Board Delivery Targets

In 2014, the NAMA Board approved an objective to facilitate the completion of 4,500 residential units in the Dublin area in the period to the end of 2016. By September 2015, NAMA had already directly funded the delivery of over 2,100 units. Consequently, the Board approved a more ambitious target of 20,000 new residential units in areas of highest demand, particularly in the Greater Dublin Area and other urban centres.

The 20,000 unit target was achieved by November 2021, based on units directly funded by NAMA since October 2015 and those delivered on sites that had been sold or refinanced.

Unit Delivery	1 Jan 2014 – 30 Sept 2015	1 Oct 2015 – 30 Nov 2021
Directly Delivered	2,146	10,892
Indirectly Directly Delivered	-	9,618
Grand Total	**2,146**	**20,510**

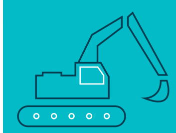
Residential Delivery – what can NAMA fund?

SECURED SITES

NAMA does not own the development sites in its portfolio; rather these are owned by private entities. NAMA works with its debtors and receivers to deliver residential projects and cannot force these parties to act in a manner which may hinder or reduce their repayment capacity.

COMMERCIAL VIABILITY

Under its legislation, NAMA can only finance developments that are expected to yield a profit. This is crucial for compliance with EU State Aid rules and Section 10 of the NAMA Act.



SUITABLE INFRASTRUCTURE

Some of the sites in NAMA's portfolio are not suitable for residential development at present owing to a lack of appropriate planning, zoning, or essential infrastructure and services (roads, waste, water, sewerage, utilities).

MARKET OPERATOR

NAMA must act in a market conform way meaning the Agency cannot provide preferential funding terms to its debtors or receivers.

Residential Delivery Progress

Progress to end-March 2022

Progress

13,293
DIRECTLY DELIVERED

+

10,673
INDIRECTLY DELIVERED

=

23,966
TOTAL DELIVERED

13,293 units have been directly delivered by NAMA to date, either through provision of funding to debtors and receivers, or via licence agreement or joint venture.

A further 10,673 residential units have been built on sites which initially benefitted from NAMA funding, but which were subsequently sold or refinanced by NAMA's debtors and receivers. NAMA facilitated the future delivery of housing on these sites by funding planning permissions, legal costs, holding costs, or site enabling works.

Examples of housing delivered in 2021

Parklands, Citywest


Parklands, Citywest

Residential Delivery Pipeline

At this stage of NAMA's lifespan, over 80% of the residential land originally secured to NAMA has been built on, refinanced, or sold. As of end-March 2022, NAMA's loans were secured by an estimated 616 hectares of land in Ireland, excluding sites under construction or with funding approved. Some 404 hectares of this land currently has residential zoning and may be suitable for future residential development, subject to planning and infrastructural constraints.

NAMA's secured residential zoned landbank is estimated to have the potential to deliver circa 19,500 housing units in the medium to long term. While most of these units cannot be delivered within NAMA's remaining lifetime, NAMA's objective to end-2025 is to maximise the number of sites that are shovel-ready for development and to asset manage sites with longer term development potential.

In the years 2022 to 2025, NAMA aims to facilitate delivery of 1,800 residential units, subject to commercial viability.

Status at end-March 2022

Pipeline

508 units

UNDER CONSTRUCTION

New residential units currently under construction on sites secured to NAMA

2,544 units*

FUNDING APPROVED

Residential units with funding approved for construction, including later phases of existing developments

*this figure includes sites for which NAMA is a joint venture or equity partner with some funding provided by a third party source

Enhancing Value Through Planning

A key part of NAMA's residential delivery programme is the preparation of secured sites for future housing development. NAMA aims to add value to existing sites through the funding of planning applications and pre-planning feasibility assessments.

Since 2016, NAMA debtors and receivers have submitted planning applications for over 19,000 residential units, some of which are currently in the planning system, and were successfully granted planning permission for 16,920 units. Through careful management, strategic assessment and selective funding, the overall success rate of NAMA-funded planning applications has been very high.

Status at end-March 2022

Planning

1,269 units

PLANNING PERMISSION GRANTED

Number of units with planning permission granted (will be sold or refinanced by debtors/ receivers).

1,059 units

PLANNING APPLICATIONS LODGED

Number of units with planning applications lodged and under consideration by planning authorities.

4,437 units

PLANNING APPLICATIONS BEING PREPARED

Potential residential units with planning applications being prepared or pre-planning consultations underway.

9,671 units

LONGER TERM SITES

Units with longer term potential subject to viability, planning, infrastructure, and zoning – unlikely to be built until post-2025.

Examples of NAMA-funded residential developments delivered in 2021

Westmill, Swords, Co. Dublin

Westmill, Swords, Co. Dublin

Belcamp, Malahide Road, Co. Dublin

Belcamp, Malahide Road, Co. Dublin

Residential Sites Sold

NAMA has always sought to ensure that there is an adequate supply of development land available to private developers in the market. Since 2011, NAMA's debtors and receivers have sold sites with the potential to deliver some 86,000 residential units, on which the aforementioned 10,673 homes have been delivered. It should be noted that some of these sites may be currently impeded by one or more constraints relating to commercial viability, infrastructure, or the absence of planning permission.

DUBLIN DOCKLANDS SDZ

NAMA originally held an interest in 75% of the 22 hectares of developable land in Dublin Docklands Strategic Development Zone (SDZ). NAMA has been instrumental in driving and facilitating the development of the Docklands area, transforming previously derelict and brownfield sites. When fully developed, these sites will provide **4.2 million sq. ft. of commercial space and 2,183 residential units**, accommodating 20,000 office workers and 5,000 residents in the area.

Of NAMA's original interests in the Dublin Docklands SDZ:

41%
is construction complete and sold

37%
of sites have been sold with the benefit of planning permission

Status of remaining NAMA-related sites at end-March 2022

16%
Construction complete

5%
Expected completion in 2022

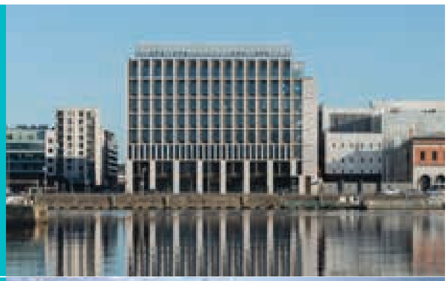
1%
Site sale

NAMA retains an interest in six active projects. The extent and nature of NAMA's involvement varies from site to site.

16% Construction complete

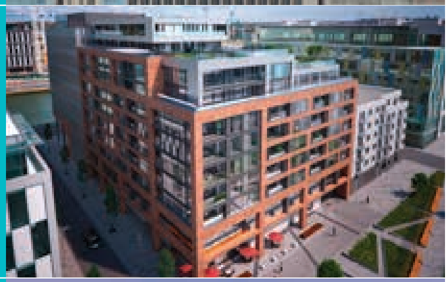
Block 10a - North Dock

- 270k sq. ft. commercial space
- Lettings underway – 50% let
- NAMA 40% equity stake



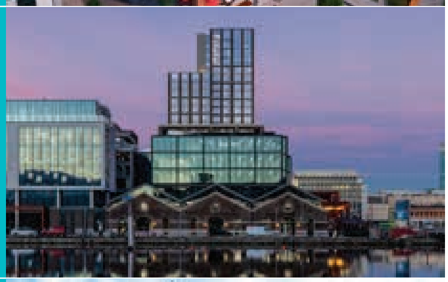
Block 14b - The Benson Building

- 72 residential units
- Awaiting BCAR registration in 2022
- Forward sale to Patrizia
- NAMA 16.5% equity stake



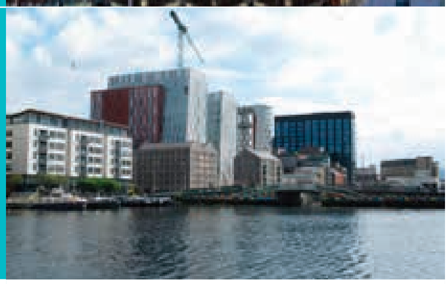
Block 15e - Ten Hanover Quay

- 87k sq. ft. commercial space
- Fully let to Fiserv
- NAMA 40% equity stake



Block 17 - Bolands Quay

- 285k sq. ft. commercial space & 46 residential units
- Forward sale to Google
- Receiver-managed to PC



5% Expected completion in 2022

Block 10b - Exo

- 215k sq. ft. commercial space
- Forward sale to CIO, a JV between Tristan Capital/SW3
- Lettings underway – 46% let to An Post
- Receiver-managed to PC

1% Site sale

Block 19 - Waterways Ireland

- 56k sq. ft. commercial space & 150 residential units, subject to planning
- NAMA leasehold interest

Note: all are measurements are quoted in gross square feet

DUBLIN DOCKLANDS SDZ (CONTINUED)

Construction complete

1 **Block 10a** North Dock

2 **Block 14b** The Benson Building

3 **Block 15e** Ten Hanover Quay

4 **Block 17** Bolands Quay

Expected completion in 2022

5 **Block 10b** Exo

Site sale

6 **Block 19** Waterways Ireland


1
3
5
6

POOLBEG WEST SDZ

The Poolbeg West SDZ, located to the east of Dublin's south docks, is one of the largest mixed-use development opportunities in Dublin City.

Over recent years, NAMA has worked with a range of stakeholders to progress necessary pre-development exercises, including the procurement of suitable investment partners (Ronan Group and Lioncor), to enable timely development of the lands. NAMA retains a 20% shareholding in the development.

When fully developed, the 37.2 acre former industrial site will provide 3,800 new homes, of which 25% will be social and affordable, and comprise a mix of offices, retail, hotels, cultural and community facilities, leisure, restaurants, bars, and open-air public amenity space within walking distance of Dublin City Centre.

Planning permission has been received for phase 1 which will see the development of 570 residential units to include 86 affordable homes and 57 social housing units. Construction is expected to commence this year.

A planning application has been submitted for phase 1b, which seeks a further 356 residential units (including 92 social and affordable homes). Overall, both phases will provide ample residential amenities, retail space, cultural and open space, a crèche, and parking for over 1,650 bicycles.

In addition, it is proposed that a temporary 'Cultural Hub' will be located on the site while it is being prepared for residential development.

03 Social and Environmental Contribution

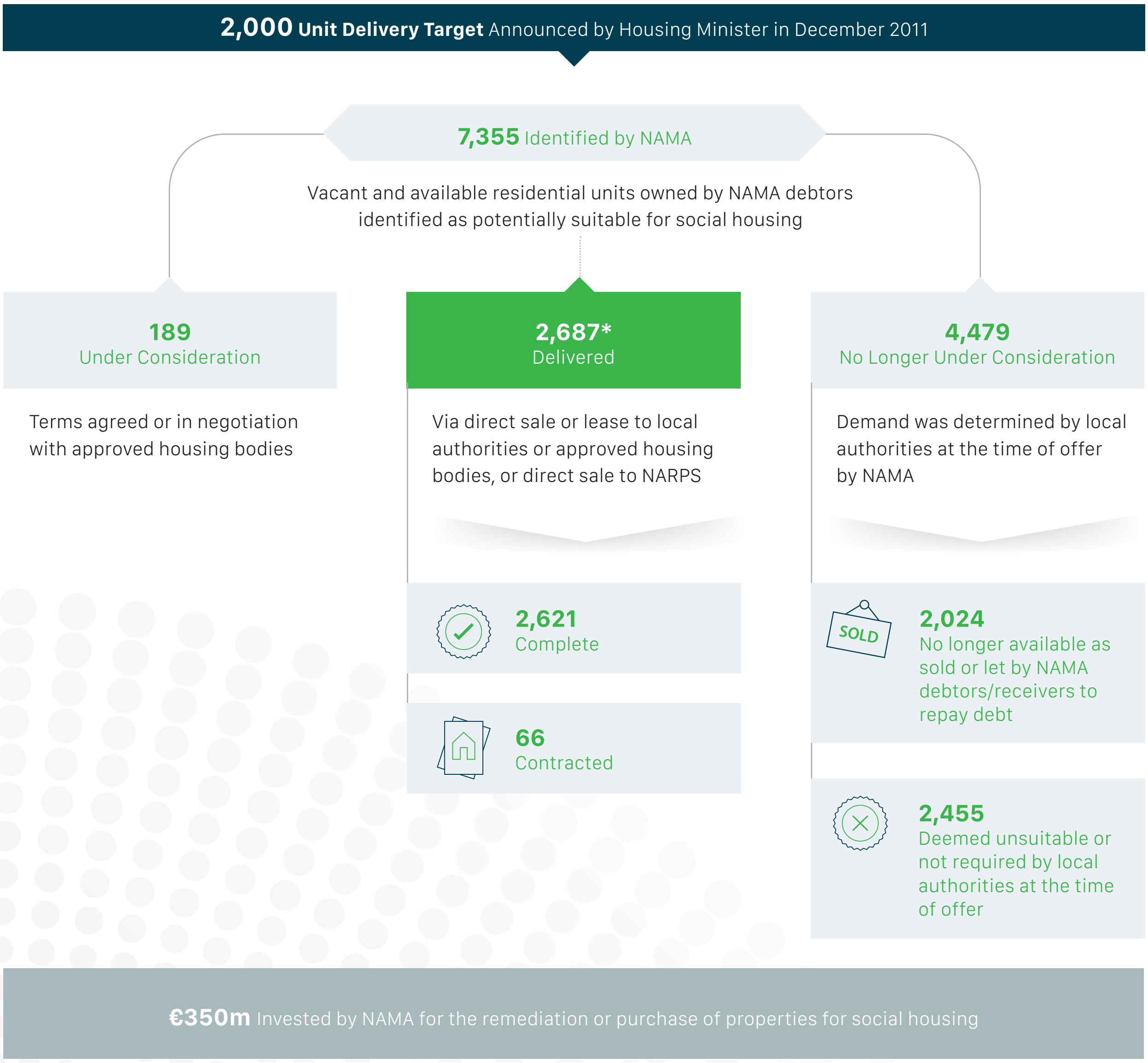
SOCIAL AND ENVIRONMENTAL CONTRIBUTION

In the context of its overriding commercial mandate, NAMA seeks to manage its portfolio in Ireland in a manner that complements the objectives of other public bodies including Government departments, state agencies and local authorities. NAMA is fully committed to contributing to the achievement of sustainability goals and climate resilience through its remaining activities.

Social Housing

Supplementary to its statutory remit, NAMA recognised that residential properties owned by its debtors and receivers offered an opportunity to contribute to social housing delivery. In 2011, NAMA established a dedicated social housing team to identify and facilitate the delivery of residential units through engagement with the Department of Housing and the Housing Agency. This process has been very successful with 2,687 properties delivered to date.

Social Housing Delivery to end-March 2022



*This delivery is in addition to statutory Part V social housing delivery on NAMA funded residential developments.

Examples of social housing delivered during 2021

Riverwood Square, Porterstown, Co. Dublin

NARPS

National Asset Residential Property Services (NARPS) was established in 2012 to expedite the delivery of social housing from NAMA's secured portfolio. NARPS is seen as a model of good practice and has acted as a precedent for further leasing initiatives which have since been rolled out across the sector.

Units delivered through NARPS	Unit Type	Unit Type	Contribution to overall delivery
1,366 HOMES	**835** APARTMENTS	**531** HOUSES	**51%** NARPS has provided 51% of the 2,687 social housing units delivered by NAMA

Housing for All

The Minister for Finance directed that the NARPS portfolio is to remain in State ownership in recognition of its important contribution to social housing.

In 2021, the Government's *Housing for All* action plan confirmed that the Land Development Agency (LDA) will assume responsibility for NARPS.

WIDER SOCIAL AND ECONOMIC CONTRIBUTION

Unfinished Housing Estates

300

The property boom and subsequent crash resulted in the existence of numerous unfinished housing estates across Ireland. NAMA's secured portfolio originally contained over **300 unfinished housing estates** which have now been resolved. In line with site resolution plans agreed with local authorities, NAMA advanced funding for remedial works on certain estates including:

- Remediation of unfinished housing units
- Completion works to unfinished developments in their entirety
- Completion of units for social housing use, some of which were subsequently purchased by NARPS.

Remediation Funding

In addition to the funding provided to complete unfinished or defective housing, NAMA funds essential works to ensure that properties in its secured portfolio are structurally sound and compliant with current health and safety requirements. This in turn protects or enhances the value of the assets, consistent with NAMA's statutory remit.

€130m

To date, NAMA has provided funding of approximately €130m for remediation works to existing residential and commercial properties securing its loans, with a further €50m potentially required. Works include essential fire safety remediation, health and safety works, and the fixing of structural defects.

Sales to Public Bodies

An important part of NAMA's work is to facilitate the sale of properties for civic purposes. NAMA works closely with Government departments, state agencies and local authorities to identify properties that may have a community, economic, or social benefit.

NAMA has successfully delivered over **75** properties for a variety of civic and social purposes across Ireland, including: schools, public parks, community centres, healthcare, transport, and infrastructure.

NAMA continues to engage with public bodies in relation to assets that may be suitable for their use. Currently, two school sites are under negotiation with the Department of Education and a further three sites are being considered by local authorities for civic infrastructure such as roads, sports facilities and burial grounds.

Foreign Direct Investment

NAMA has fostered Foreign Direct Investment and new employment opportunities through the delivery of Grade A office accommodation in the Dublin Docklands. In addition, NAMA has worked with the IDA to facilitate property transactions which support multi-national companies locating in or expanding across Ireland such as: LinkedIn, Lidl, Google, Intel, Novartis, BSkyB, Airbnb, and Amazon.

SUSTAINABILITY AND THE ENVIRONMENT

NAMA aims to ensure that commercial and residential development in which it is involved is consistent with the highest standards of sustainable design and development and undertaken in the context of its impact on the environment and on climate change.

By embracing sustainable development, NAMA's assets are more marketable and attractive to investors, consistent with NAMA's statutory mandate to obtain the best achievable financial return for the State.

Best in class building technology and energy systems

All NAMA-related commercial developments in the Dublin Docklands conform to Leadership in Energy and Environmental Design (LEED) standards, achieving platinum or gold certification.

In accordance with planning requirements, new homes constructed on NAMA-funded residential developments achieve A3 Energy ratings as a minimum with some meeting Nearly Zero Energy Buildings (nZEB) standards.

In order to meet building energy requirements and climate change objectives, new homes may include:

- high levels of insulation and airtightness
- heat recovery ventilation systems
- solar panels
- heat pump systems
- electric vehicle charging points

Balance of social, economic, and physical infrastructure

NAMA is contributing to the compact growth of Dublin City by facilitating the delivery of high-density mixed-use commercial and residential development in the Dublin Docklands SDZ, readily accessible by public transport and located close to key community services. Similarly, NAMA-funded residential development is typically provided in areas of high demand with existing infrastructure.

Providing a critical mass of infrastructure within existing and established communities is necessary to achieve the correct balance of social, economic and physical infrastructure that allows new communities to thrive. This in turn reduces carbon footprint and encourages active modes of travel, such as walking and cycling.

Furthermore, NAMA has provided funding for high standards of landscaping on its residential developments which includes the construction of high-quality walking and cycling infrastructure as well as the planting of native Irish tree species and other pollinator friendly plants.

Sustainable workplace

The NAMA and NTMA offices are located at Treasury Dock, which is certified as BER A3, LEED Platinum and NZEB. The development of Treasury Dock was facilitated by NAMA as part of Dublin Landings and some of its sustainable features include:

- daylight and presence detection sensors to reduce lighting levels
- high specification heating and cooling systems to reduce energy consumption
- low water consumption taps and rainwater harvesting for flushing toilets
- precedence given to active modes of commuting with ample bicycle parking and quality changing facilities onsite
- electric vehicle charging points

NAMA endorses sustainable initiatives to reduce the organisation's carbon footprint and support staff in adopting a low carbon lifestyle.

Environmental and social considerations in public procurement

NAMA, in seeking to procure goods and services with reduced environmental impact, incorporates appropriate social and environmental criteria in its procurement practices such as: the prevention or minimisation of waste; the use of recycled products and recycling facilities; energy conservation in buildings and in the use of equipment; the minimising of storage requirements and the use of paperless office solutions, as they relate to the performance of the services. NAMA fully supports the Government's Environmental and Social Consideration Initiative and has adopted such practices by way of Board approved policies and procedures.

Having regard to the future reporting obligations of public bodies, NAMA incorporated green criteria into the procurement processes of the undernoted contracts concluded in the year 2021.

Reference year 2021	A. Total number of contracts issued over €25,000 by priority sector	B. Total value of contracts issued over €25,000 by priority sector	C. Total number of contracts issued over €25,000 by priority sector which have incorporated Green Public Procurement (GPP)	D. Total value of contracts issued over €25,000 by priority sector which have incorporated GPP
Priority Sector				
Transport	N/A			
Construction	N/A			
Energy	N/A			
Food & Catering Services	N/A			
Cleaning Products & Services	N/A			
Textiles	N/A			
IT Equipment	N/A			
Paper	1	€150,000	1	€150,000
Other (Internal Audit, Legal, Property Advice)	4	€2,319,702	3	€2,275,202
Totals	**5**	**€2,469,702**	**4**	**€2,425,202**

04
Financial Review

FINANCIAL REVIEW

Financial Highlights 2021	2021 €m	2020 €m	From inception to end-2021 €m
Cash generation			
Total cash generated	**671**	**920**	**46,903**
Disposal receipts	619	848	40,434
Non-disposal income	52	72	6,469
Lifetime Surplus Transfer to Irish Exchequer	1,000	2,000	3,000
Bond & equity redemptions			
Senior bonds fully redeemed by 2017		-	30,190
Subordinated debt fully redeemed by 2020		1,064	1,593
NAMAI private investor equity fully redeemed in 2020		56	56
Profitability (key income statement items)			
Net gains on debtor loans measured at FVTPL*	181	149	
Interest income/(expense), fees & other income/(expense)	27	(2)	
Profit on derecognition of subsidiaries	26	-	
Net gains on investment properties	22	5	
Profit for the year before tax	211	211	
Tax charge	(16)	(19)	
Profit for the year after tax	**195**	**192**	
Financial position at year-end			
Cash, cash equivalents, Exchequer Notes, and other liquid assets	748	1,296	
Debtor loans carrying value	715	850	
Investment properties	314	292	

** Fair Value Through Profit or Loss*

Debt Redemption

As part of its original acquisition of loans from the participating institutions, NAMA issued €30.2 billion of government-guaranteed senior debt and €1.6 billion of floating rate perpetual subordinated debt.

The senior bonds represented a contingent liability to the Irish State as they were guaranteed by the Government prior to being redeemed in full by October 2017. The subordinated debt was fully redeemed by March 2020 and NAMA has therefore repaid all €31.8 billion debt issued to acquire loans from the participating institutions.

Exit of Private Investors

In 2010 at the inception of NAMA, private investors invested €51 million in the parent company of the NAMA Group (National Asset Management Agency Investment DAC (NAMAI)) with NAMA investing a further €49 million.

In 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1 million in line with a shareholder's agreement executed with the private investors in 2010. This purchase eliminated NAMA's final outstanding external obligation to its investors other than the State and increased the State's stake in the NAMA Group entities from 49% to 100%.

Transfer of NAMA's lifetime surplus to the Exchequer

NAMA's projected total contribution to the Exchequer subject to no deterioration in market conditions is €4.9 billion. This is comprised of a projected lifetime surplus of €4.5 billion and corporation tax payments made to date of €0.4 billion. By the end of 2021 NAMA had transferred €3 billion of its lifetime surplus to the Exchequer. Further transfers to the Exchequer are expected to follow in 2022 and later years. The future transfers will include the transfer value of National Asset Residential Property Services DAC ('NARPS') which will remain in State ownership based on a Direction to NAMA from the Minister for Finance.

Impact of Covid-19 on NAMA

The Covid-19 pandemic and associated restrictions continued to have a material effect on economic activity world-wide during 2021. The restrictions had an impact on the progress of residential and commercial delivery programmes and accordingly, NAMA's 2021 residential delivery target was revised downwards. Factors such as site closures (particularly the lockdown of construction sites from 6 January to 12 April 2021), impacts to supply chains, and physical distancing measures resulted in unavoidable delays to construction projects across both the residential and commercial sectors during 2021.

The impact of supply chain pressures has also been felt by way of increases in construction costs. Notwithstanding this, NAMA's 2021 financial performance and net cash generation remained strong with NAMA continuing to make progress toward the achievement of its key strategic objectives and the revised residential delivery target was also exceeded for the year.

In line with Government guidelines, NAMA staff primarily worked remotely during 2021 and NAMA remained fully operational throughout.

Key components of NAMA's 2021 performance

Income Statement NAMA Group	2021 €m	2020 €m
Net gains on debtor loans measured at FVTPL	181	149
Interest income, fee income & other income/(expense)	28	6
Profit on derecognition of subsidiaries	26	-
Net gains on investment properties	22	5
Net profit on disposal and refinancing of loans and property assets	5	121
Interest expense & FX	-	(7)
Administration expenses	(51)	(63)
Profit for the year before tax	**211**	**211**
Tax charge	(16)	(19)
Profit for the year after tax	**195**	**192**

Net fair value gains on debtor loans measured at FVTPL

	2021 €m	2020 €m
Net fair value gains on debtor loans measured at FVTPL	181	149

Fair value is a key area of judgment in NAMA's financial statements and the judgment process is conducted as part of Fair Value Reviews. These reviews use a present value methodology to assess the fair value of debtor loans. During the year, NAMA has recognised a fair value gain of €181 million (2020: €149 million). This outcome reflects a number of factors such as progress towards monetisation timelines and the appreciation of collateral securing debtor loans.

The Fair Value Reviews were based on detailed individual assessments of expected future cash flows for all debtor connections that include relevant loans. These assessments represent NAMA's best estimate of expected future cash flows for each debtor connection. They include estimated cash flows arising from the disposal of property collateral, loan sales, and non-disposal income (such as rental income).

Interest income, fee income & other income/expense

	2021 €m	2020 €m
Lease rental income	14	13
Fair value gain/(loss) on equity instruments	6	(10)
Interest income/Fee income/Other income/(expense)	8	3
Total	**28**	**6**

Interest income, fee income & other income/(expense) amounted to €28 million. This is mainly comprised of NARPS rental income (€14 million), Fair Value gains on Equity Investments (€6 million) and the receipt of €6 million from the IBRC Special Liquidator in respect of claims lodged by NAMA.

Profit on derecognition of subsidiaries

	2021 €m	2020 €m
Profit on derecognition of subsidiaries	26	-

On 4 June 2021, Pembroke Ventures DAC and its two subsidiaries, Pembroke Beach DAC and Pembroke West Homes DAC ceased to be NAMA Group entities. Profit of €26 million was recognised on their derecognition from the Group. NAMA retains a minority 20% shareholding in Pembroke Ventures DAC.

Net gains on investment properties

	2021 €m	2020 €m
Net gains on investment properties	22	5

Investment properties are valued at fair value. The difference between the fair value and the carrying amount of the properties resulted in a net gain of €22 million to the income statement in 2021.

Net profits generated from disposal and refinancing of loans and property assets

	2021 €m	2020 €m
Net profit on disposal and refinancing of loans	2	87
Net profit on disposal of property assets	3	34
Total profit	**5**	**121**

Profit or loss on disposal and refinancing of loans is measured as the difference between the consideration received (after sales/refinancing costs) and the NAMA carrying value of the relevant loans. The profit of €2 million (2020: €87 million) recognised in 2021 primarily relates to profits on loan refinances as opposed to on loan sales.

Profits on disposal of property assets are measured as the difference between the sales proceeds and the property's carrying value which is required to be the lower of the cost and the Net Realisable Value of that property. The profit of €3 million recognised in 2021 (2020: €34 million) is therefore reflective of NAMA value adding activities in recent years.

Administration expenses recognised in 2021 amounted to €51 million (2020: €63 million). For 2021, the level of costs recognised represents 7.5% of cash received. From inception to 31 December 2021, NAMA's total expenses paid to fund income generation amount to €1.3 billion, representing 2.8% of total cash generation.

NAMA's cash generation

	2021 €m	2020 €m	Inception to end-2021 €m
Disposals of underlying collateral	671	920	**35,996**
Disposals of loans	-	-	**10,907**
Total Proceeds	**671**	**920**	**46,903**

Disposal and non-disposal receipts during 2021 totalled €0.7 billion (2020: €0.9 billion), comprising receipts from property collateral disposals and loan refinances. From a cash generation perspective, there were no material loan sale transactions in 2021 (2020: €Nil).

Cash position

	2021 €m	2020 €m
Cash and cash equivalents	748	1,296

At the end of 2021, NAMA had a cash and cash equivalents balance of €748 million (2020: €1,296 million) of which €735 million (2020: €385 million) was held with Central Bank of Ireland and € Nil (2020: €875 million) was invested in Exchequer notes.

Loan portfolio

NAMA acquired loans from the participating institutions for a consideration of €31.8 billion. This acquisition value is the amount NAMA originally recognised on its statement of financial position as being the carrying value for those debtor loans. Debtors are legally obliged to repay the loan par value as per the original loan agreements with the participating institutions. NAMA's carrying value of debtor loans at end-2021 was €0.7 billion (2020: €0.9 billion).

A summary of the movement in debtor loans for the reporting period is provided below:

Movement in carrying value of debtor loans

	2021 €m	2020 €m
Debtor loans at 1 January	850	1,227
Receipts on debtor loans	(449)	(856)
Advances to borrowers	192	247
Other movements on debtor loans measured at FVTPL	(61)	(4)
Profit on disposal and refinancing of debtor loans	2	87
Net fair value gains on debtor loans	181	149
Debtor loans as at 31 December	**715**	**850**

NARPS

	2021 €m	2020 €m
Investment properties	314	292

The NARPS entity is expected to remain in State ownership and the value attributable will form part of NAMA's lifetime surplus. NARPS assets are held as investment properties which are carried at fair value.

FINANCIAL REVIEW (CONTINUED)

Investments in equity instruments

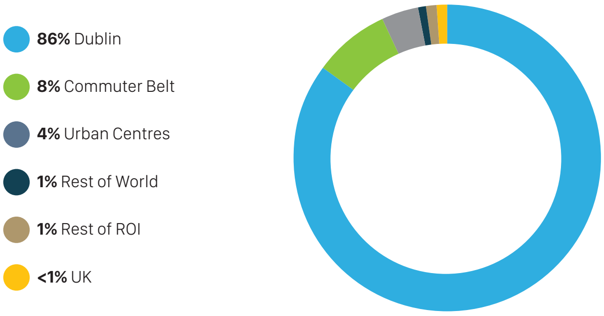
	2021 €m	2020 €m
Investments in Equity Instruments	22	13

NAMA invests in equity instruments to maximise value and to facilitate the effective delivery of commercial or residential developments. These assets are measured at Fair Value through profit or loss. Changes in carrying value are driven by movements in the asset value of the underlying funds/companies and encashments/advances made during the year.

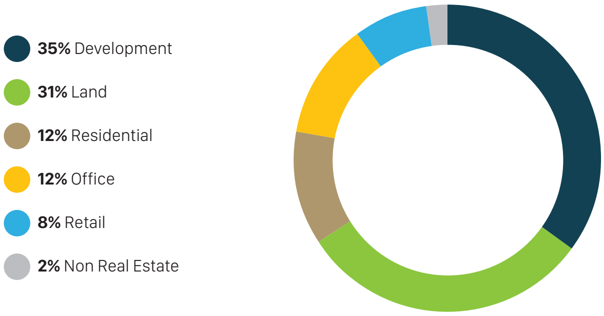
Remaining portfolio

The concentration of NAMA's remaining acquired debtor loan portfolio by sector and geography based on the underlying security is outlined below:

REMAINING PORTFOLIO BY GEOGRAPHY 31 DECEMBER 2021



REMAINING PORTFOLIO BY SECTOR 31 DECEMBER 2021



Rate of return benchmark

In 2014, the NAMA Board approved an entity return on investment (EROI) target benchmark of 20%. The projected return as at end-2021 was 39% (2020: 38%).

The EROI is calculated based on the comparison of NAMA's projected €4.5 billion lifetime surplus position with NAMA's initial investment, as adjusted to exclude the €5.6 billion in state aid which NAMA was required to pay to the participating institutions as part of the loan acquisition price.

Following a successful asset management and deleveraging programme and subject to market conditions, the acquired portfolio (excluding €5.6 billion state aid paid by NAMA to the participating institutions) forecast internal rate of return (IRR), excluding costs, to the end of NAMA's lifespan is circa 12.8% per annum as at end-2021.

The projected return based on the total cost to acquire the portfolio, including state aid of €5.6 billion, is 6% (2020: 6%) per annum. This compares favourably to the expected rate of return of 5% when NAMA was established.

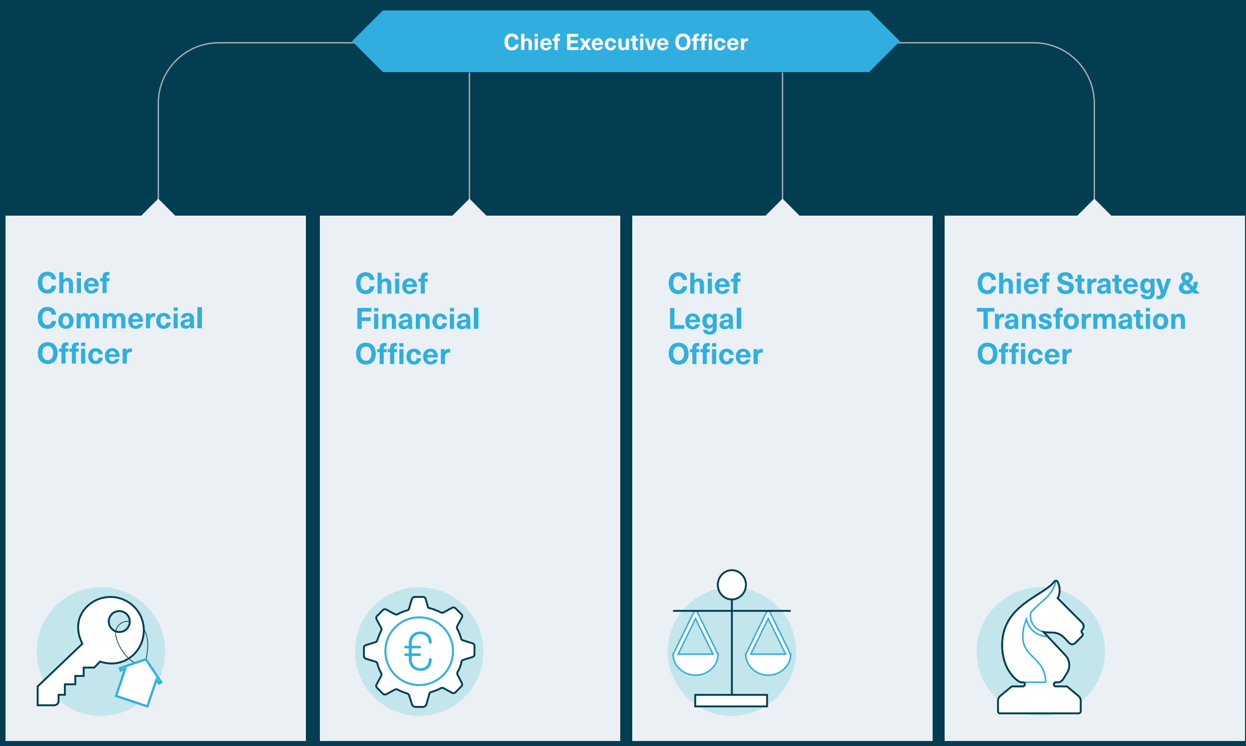
05

NAMA Organisation

NAMA ORGANISATION

Organisational Structure

NAMA is organised across four main divisions, each of which is managed by a member of the Executive Team.



Chief Commercial Officer

The Chief Commercial Officer oversees three business units in NAMA: Residential Delivery; Asset Recovery; and Asset Management.

These business units are responsible for the intensive management and phased deleveraging of assets securing NAMA's loans. They work closely with debtors, receivers, and joint venture partners to identify, develop and manage secured assets and investments where value can be added and future cashflow enhanced, thus supporting the achievement of NAMA's wider strategic objectives. In this context, they facilitate new residential and commercial development where commercially viable.

Chief Financial Officer

The CFO division manages the organisation's financial and operational requirements. The division provides financial leadership and acts as a specialist business partner to the wider NAMA organisation.

The CFO division incorporates a wide range of business functions with operational and strategic responsibilities including finance, audit & risk, systems, operations and tax.

Chief Legal Officer

The Legal division provides independent advice to the Board, CEO, and the NAMA business divisions on the wide spectrum of legal issues affecting the Agency and its operations. The division comprises a wealth of expertise spanning commercial property, banking, insolvency, litigation and other legal areas.

The Legal division supports NAMA's regulatory and compliance obligations, including responsibility for NAMA procurement, Freedom of Information and the General Data Protection Regulation (GDPR).

Chief Strategy & Transformation Officer

The Chief Strategy and Transformation Officer oversees NAMA's Strategy, Communications and Transformation activities. The division is responsible for the ongoing evaluation and development of NAMA's strategy to ensure that it remains appropriate in the context of NAMA's objectives. In this regard, the division will oversee the implementation of NAMA's wind down strategy as the Agency progresses towards dissolution.

The division has overall responsibility for the Agency's communications and public affairs activity. This involves co-ordination of NAMA's interaction with the media and engagement with Oireachtas members and committees as well as the preparation of NAMA publications.

NAMA ORGANISATION (CONTINUED)

Organisational Wind Down 2022-2025

NAMA aims to fully wind down its operations by end-2025. This entails the following key actions:

- Reduce the size and scale of NAMA's operational activity while maintaining an appropriate risk management and control environment.
- Reduce the size of the NAMA Group through dissolution of subsidiary entities upon resolution of related assets.
- Provide annual wind down progress updates to the Minister for Finance in the Section 53 Annual Statement.

Staff Resources

NAMA, through the NTMA, has recruited staff with a diverse range of skills and experience from the disciplines of banking, finance, law, property, insolvency, and planning among others.

The number of NTMA staff assigned to NAMA at the end of 2021 was 145. This figure includes 32 employees leaving during 2022 as part of NAMA's voluntary redundancy scheme.

Gender balance, diversity, and inclusion

Equality of opportunity and diversity is a priority in NAMA to foster a supportive and positive work environment for all staff. In this context, NAMA has regard to the statutory obligation on public bodies, under Section 42 of the Irish Human Rights and Equality Commission Act 2014, to eliminate discrimination, promote equality of opportunity, and protect human rights of staff and service users.

Gender balance at all levels of the Agency is an issue of particular importance to NAMA. The breakdown of NAMA staff by gender is relatively even with **51% males and 49% females at the end of 2021**. Of the seven ministerial appointees to the NAMA Board, four (57%) are female which is ahead of the Government's target of 40%. The gender pay gap analysis for NAMA illustrates that at median base pay, there is a 3% pay gap in favour of female employees and at mean base pay, there is a 10% gap in favour of male employees. This analysis is based on annual base pay effective 31 December 2021. The gender pay gap refers to the difference between what is earned, on average by men and women assigned to NAMA, based on their average hourly wage. The Gender Pay Gap Information Act 2021 is expected to become operational in 2022. At the time of publication, the exact details around reporting obligations remain unknown. The figures reported herein may need to be reviewed once further detail is available.

Various initiatives have been introduced (via the NTMA) over recent years to encourage gender balance, diversity, and inclusion.

- The Gender Matters programme
- NTMA Women's Network
- Membership of the 30% Club
- The Disability Advocacy Team
- The LGBT+ Network
- The International & Multicultural Awareness Team
- Compulsory unconscious bias training for all management and staff
- Engagement with Specialisterne, an organisation which empowers people on the autism spectrum

06
Governance

GOVERNANCE

Board and Committees of the Board

Board of NAMA

- Audit Committee
- Credit Committee
- Finance and Operating Committee
- Risk Management Committee
- Planning Advisory Committee
- Remuneration Committee

Pursuant to Section 19 of the National Asset Management Agency Act 2009 (the "Act"), the Board comprises a Chairperson and up to eight members. The Chairperson and six members are appointed by the Minister for Finance while the Chief Executive Officer of NAMA and Chief Executive of the NTMA are ex-officio members of the Board. The Board's principal functions are set out in Section 18 of the Act:

- To ensure that NAMA's functions are performed effectively and efficiently.
- To set strategic objectives and targets for NAMA.
- To ensure that appropriate systems and procedures are in place to achieve the strategic objectives and targets.
- To take all reasonable steps available to it to achieve these targets and objectives.

The Board has a schedule of matters reserved for its approval and deals with credit matters within its delegated authority level.

The Board is comprised of nine members. Details of Board members and appointments are set out on pages 44 to 46.

No appointed member is eligible to serve more than two consecutive terms. The Minister determines the level of remuneration of appointed members and their entitlement to reimbursement for expenses. The ex-officio members do not receive any additional remuneration for their membership of the Board.

During 2021 the Board met on 14 occasions while the six committees of the Board met on 52 occasions. Details of Board and committee member attendance at meetings are outlined on page 43.

In accordance with Section 32 of the Act, the Board established four statutory committees: Audit Committee, Credit Committee, Finance and Operating Committee, and Risk Management Committee. The Board also established three committees under Section 33: the Planning Advisory Committee, the Remuneration Committee, and the Northern Ireland Advisory Committee, the latter of which was subsequently dissolved on 8 September 2014 following sale of the loans of Northern Ireland debtors.

The Board is supported in its functions by the Secretary to the Board who also co-ordinates the operation of the various Board committees; each of the committees is supported by a NAMA Officer with relevant expertise who acts as secretary to the committee.

Schedule of Reserved Matters

Under Section 18 of the Act, the Board is responsible for ensuring the functions of NAMA are performed effectively and efficiently. The Board may delegate performance of its functions to an officer of NAMA. The Board has approved a Schedule of Reserved and Delegated Matters as part of a comprehensive formal delegation of Board functions and powers to the Chief Executive Officer. This was most recently approved by Board in October 2021. The Chief Executive Officer may sub-delegate some functions to a member of the Senior Executive Team under his overall control and supervision. The Board has also approved delegations of functions in a Delegated Authority Credit Policy and Balance Sheet Policy.

Board Delegated Authority Policy

The Board has delegated certain credit decisions to the Credit Committee and Senior Executive Team through its Delegated Authority Credit Policy, which is subject to regular review. Under this policy, the Board has set varying authority levels for approving proposals. These depend on the debtor's total financial exposure, the value of the transaction and on whether or not new funds have been requested. Under the Delegated Authority Credit Policy, lower level authorities may refer their decisions to higher level authorities if a second opinion is deemed desirable or where there is a conflict of opinion.

Board and Committee Evaluation

The Board and each committee undertake a self-assessment evaluation annually in relation to the effectiveness and efficiency of its decision making. In accordance with Section 4.6 of the Code of Practice for the Governance of State Bodies 2016, the Board undertakes an external evaluation approximately every three years. An internal evaluation was conducted for the period to end-2021. The previous external evaluation, conducted by Governance Ireland, was conducted during 2020 for the period to end-2019.

Board responsibility for Preparation of Annual Report & Financial Statements

The Board is responsible for preparing the 2021 Annual Report and Financial Statements and following detailed review and having regard to the recommendations of the Audit Committee,[1] the Board considers that the Financial Statements represent a true and fair view of NAMA's financial performance and financial position at year-end 2021.

1 *In addition to the Audit Committee, the Risk Management Committee also has a role in the review of the Statement on Internal Control*

Attendance at Board and Board Committee Meetings in 2021

	Board	Audit	Credit	Finance and Operating	Risk Management	Planning Advisory	Remuneration
NAMA Board Members:							
Aidan Williams	14		3(ii)			4(ii)	2
Brendan McDonagh	14		20	5	6	6	
Conor O'Kelly	11				3		2
Oliver Ellingham	14	12	19				
Mari Hurley	12		20	2(iii)			2
Eileen Maher	14	12		5	6		
Michael Wall	14	12	21			6	2
Charlotte Sheridan	14	12		5		6	
Davina Saint	13(i)		21		5(i)	5(i)	1(v)
External Committee Members:							
Liam Gallagher		12					
Angela Tunney						3(iv)	

Notes:

i. Davina Saint's official start date as a Board member was 18 January 2021, after the January 2021 Board meeting.

ii. Aidan Williams is not a member of the Credit Committee or the Planning Advisory Committee however attended as an observer for some meetings during 2021.

iii. Mari Hurley's term on the Finance and Operating Committee concluded in July 2021.

iv. Angela Tunney was appointed as an external member to the Planning Advisory Committee on 13 May 2021.

v. Davina Saint was appointed as Chairperson to the Remuneration Committee in September 2021.

BOARD MEMBERS

Mr Aidan Williams
Chairman

LENGTH OF SERVICE

Originally appointed as a Board Member on 2 April 2019 and appointed as NAMA Board Chairman on 20 December 2019 for a 5-year term.

BIOGRAPHY

Aidan Williams has over forty years' experience in International Capital Markets, Investment Banking, Fund Management, and Stockbroking. He holds a number of Non-Executive Directorships and is the former Chair of both UniCredit Bank Ireland plc and Macquarie Capital Ireland DAC.

Mr Williams is an Institute of Directors accredited Chartered Director, a Chartered Fellow of the Institute for Securities and Investment, and a former Registered Stockbroker of the Irish Stock Exchange. He is a member of the Institute of Directors and the Irish Fund Directors Association.

COMMITTEE MEMBERSHIP

- Member of the Remuneration Committee

Mr Brendan McDonagh
Chief Executive Officer

Mr McDonagh's role as an ex-officio Board member commenced on 22 December 2009 following his appointment as NAMA Chief Executive Officer.

Brendan McDonagh was appointed Chief Executive Officer of NAMA by the Minister for Finance in December 2009. Prior to that, he was the Director of Finance, Technology and Risk at the NTMA from 2002 until 2009 and held the post of NTMA Financial Controller from 1998 to 2002. Mr McDonagh joined the NTMA in 1994 from the ESB, Ireland's largest power utility, where he worked in a number of areas including accounting, internal audit, and treasury.

- Board member (ex-officio)
- Member of the Finance and Operating Committee
- Member of the Risk Management Committee
- Member of the Credit Committee
- Member of the Planning Advisory Committee

Mr Oliver Ellingham

Appointed 10 April 2013 for a 5-year term and re-appointed on 10 April 2018 for a 5-year term.

Oliver Ellingham is a chartered accountant and a former Head of Corporate Finance (Europe) at BNP Paribas and a senior executive within BNP Paribas UK. He currently holds non-executive directorships in a number of companies and is owner of Ellingham Limited. He has served as a board member of Eurobank Cyprus since April 2014, chairing the Risk Committee until February 2020 when he became Chairperson of the Board.

- Chairperson of the Audit Committee
- Member of the Credit Committee

Ms Mari Hurley

LENGTH OF SERVICE

Appointed 8 April 2014 for a 5-year term and re-appointed on 8 April 2019 for a 5-year term.

BIOGRAPHY

Mari Hurley is the Chief Financial Officer of AA Ireland and was previously Chief Financial Officer of Premier Lotteries Ireland and Hostelworld Group plc and Finance Director of Sherry FitzGerald Group. She is a Fellow of the Institute of Chartered Accountants in Ireland having trained and qualified in Arthur Andersen. Ms Hurley has a Bachelor of Commerce degree from University College Cork. She served as a director of Ervia until August 2021.

COMMITTEE MEMBERSHIP

- Chairperson of the Credit Committee
- Member of the Remuneration Committee

Ms Eileen Maher

Appointed 3 July 2018 for a 5-year term.

Eileen Maher is an experienced strategic advisor with commercial, transformation, regulatory, and legal expertise. She holds a Bachelor of Commerce degree and MBS from University College Galway and is a member of the Institute of Directors in Ireland. She has a track record for developing and executing key strategic infrastructure projects as well as negotiating commercial joint ventures, partnerships, and acquisitions. She worked in the telecoms industry for 30 years. Ms Maher is also a member of the Board of Eirgrid and the Compliance Committee of the Broadcasting Authority of Ireland. She was the Director of Strategy and External Affairs in Vodafone and a member of the Vodafone Ireland Executive Board.

- Chairperson of the Risk Management Committee
- Member of the Finance and Operating Committee
- Member of the Audit Committee

Mr Conor O'Kelly

Mr O'Kelly's role as an ex-officio Board member commenced on 5 January 2015 following his appointment as NTMA Chief Executive.

Conor O'Kelly was appointed Chief Executive of the National Treasury Management Agency (NTMA) in January 2015. He is the former Deputy Chairman of Investec Holdings (Ireland) Ltd. Prior to that he was Chief Executive Officer of NCB Group and in 2003, he successfully negotiated and led a management buyout of the firm which was subsequently acquired by Investec plc. Before joining NCB as Head of Fixed Income, he had spent 11 years with Barclays Capital where he held senior management positions and worked in London, Tokyo, and New York. Mr O'Kelly is a former director of the Irish Stock Exchange and a former member of the Trinity College Foundation Board. He is a graduate of Trinity College Dublin and holds a master's degree from Senshu University in Japan.

- Board member (ex-officio)
- Member of the Risk Management Committee
- Member of the Remuneration Committee

Ms Davina Saint

LENGTH OF SERVICE

Appointed 22 December 2020 for a 5-year term, commencing 18 January 2021.

BIOGRAPHY

Davina Saint is a senior level banking executive and qualified solicitor, experienced in the structuring and execution of complex finance transactions. Ms Saint has extensive legal experience with 19 years as the Head of Legal and General Counsel for BNP Paribas' operations in Ireland. Ms Saint is both a Chartered Director and a Certified Bank Director and has built corporate governance and risk management experience across multiple boards and executive committees. Ms Saint is a graduate of the London School of Economics and started her career in the City of London. She is currently the Independent Chair of Business to Arts, an organisation that builds creative partnerships between arts and business and also a Director of the Dublin IFSC Inner City Trust. Davina sits as an independent director on a number of financial services companies and funds.

COMMITTEE MEMBERSHIP

- Chairperson of the Remuneration Committee
- Member of the Credit Committee
- Member of the Planning Advisory Committee
- Member of the Risk Management Committee

Ms Charlotte Sheridan

Appointed 22 December 2020 for a 5-year term.

Charlotte Sheridan is a registered architect and town planner and a member of the Royal Institute of Architects of Ireland (RIAI) and the Irish Planning Institute (IPI), with over 20 years' professional experience as a director of Sheridan Woods, an architecture and urban planning practice. She has specialised in urban regeneration, housing, sustainable communities, and collaborative planning in towns and cities in Ireland, with past experience in London and Berlin. Ms Sheridan was a member of the RIAI Council in 2018, Honorary Secretary in 2019–2020, a Non-Executive Director and Board Member of the RIAI since January 2019, and President of the RIAI for 2022-2023.

- Chairperson of the Finance and Operating Committee
- Member of the Planning Advisory Committee
- Member of the Audit Committee

Mr Michael Wall

Appointed 3 July 2018 for a 5-year term.

Michael Wall is a barrister specialising in planning, environmental, and construction law. He is a former member of the board of An Bord Pleanála and has worked as an architect in private practice and in project management. He is a Fellow of the Royal Institute of Architects of Ireland. Mr Wall has an MBA from University College Dublin as well as degrees in architecture, planning and law. He is Chairman of the Irish Georgian Society and a board member of the Abbey Theatre and Simpson's Hospital.

- Chairperson of the Planning Advisory Committee
- Member of the Credit Committee
- Member of the Remuneration Committee
- Member of the Audit Committee

REPORTS FROM CHAIRPERSONS OF NAMA COMMITTEES

Audit Committee

Oliver Ellingham | Chairperson

Pursuant to Section 32 of the Act, the Board established an Audit Committee which operates to a Board-approved Terms of Reference. Under Section 32(2) of the Act, the Audit Committee shall have six members, two of whom are external to NAMA and are appointed by the Minister. The remaining four members are appointed by the Board from among its members.

The Audit Committee is comprised of the following members:

- Oliver Ellingham (Chairperson, Board member)
- Eileen Maher (Board member)
- Michael Wall (Board member)
- Charlotte Sheridan (Board member)
- Liam Gallagher (External member)

Mr Gallagher is a former senior official with the Revenue Commissioners and held the role of Director of Internal Audit for the Office of the Revenue Commissioners from 2015 to 2018. Mr Gallagher is also a member of the Audit and Risk Committee for the Teaching Council of Ireland.

The Committee met on 12 occasions in 2021.

The Audit Committee assists the Board in fulfilling its oversight responsibilities in the following functions:

- The quality and integrity of the financial reporting process.
- The independence and integrity of the external and internal audit processes.
- The effectiveness of NAMA's internal control system.
- The processes in place for monitoring the compliance of the loan service providers with their contractual obligations to NAMA.
- Compliance with relevant legal, regulatory and taxation requirements by NAMA.
- Arrangements for reporting of "Relevant Wrongdoing" and "Protected Disclosures", for NAMA's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation and follow up action.

The principal activities of the Committee in 2021 were as follows:

1. Financial reporting

The Committee reviewed the Annual Report and Financial Statements, as well as all other formal announcements relating to the Financial Statements, before submission to the Board.

2. External audit

The Comptroller and Auditor General (C&AG) is the designated external auditor under the Act. No non-audit services were provided by the C&AG during 2021. Mazars are the Statutory Auditor for the NAMA Irish Group Entities. The Committee reviewed the external audit plans and final audit reports of both the statutory and external audits. The Committee also met with both the external and statutory auditors to review any findings from their audits of the financial statements.

3. Internal audit

The Committee received regular reports from the Internal Auditor which included summaries of the key findings of each audit in the period and updates on the planned work programme. On an ongoing basis, the Committee ensures that these activities are adequately resourced and have appropriate standing within NAMA.

4. Internal controls

Another area of attention of the Committee is evaluating NAMA's system of internal controls, including procedures adopted by the NTMA in the performance of its compliance and control functions for NAMA.

5. Monitoring of service providers

The Committee received regular updates from Management and the Internal Auditor on the performance of NAMA's Service Providers. A new contract for the provision of Internal Audit Services was awarded for the remaining life of NAMA, subject to annual review.

6. Committee Interactions

The Chief Financial Officer of NAMA, the Head of Audit and Risk, other senior NAMA executives and representatives of the internal and external auditors were invited as appropriate to attend all or part of any meeting. The Committee also met individually with the external auditors, the internal auditor, Chief Financial Officer, Head of Audit and Risk and NTMA Head of Compliance. Each of these has direct access, without restriction, to the Chairperson of the Audit Committee.

Expectations for 2022

The Committee will continue to focus on Financial Reporting and to provide a robust challenge to the key judgements included in the financial statements. The Committee will also be focusing on maintaining the high standard of governance and strong controls in a phased and orderly wind down environment. In March 2022, an Invitation to Tender (ITT) for the provision of Statutory Audit services for NAMA Irish Group entities was issued. The new contract will be in place for the statutory audits of Financial Years 2022 to 2025.

Oliver Ellingham
Chairperson

Credit Committee

Mari Hurley | Chairperson

Pursuant to Section 32 of the Act, notwithstanding that the Board retains ultimate responsibility for the credit risk of NAMA, the Board established a Credit Committee operating under its delegated authority. In accordance with Section 32(6) of the Act, the Credit Committee operates to Board-approved Terms of Reference.

The Credit Committee is comprised of the following members:

- Mari Hurley (Chairperson, Board member)
- Oliver Ellingham (Board member)
- Michael Wall (Board member)
- Davina Saint (Board member)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Alan Stewart (Chief Legal Officer)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer)

The Committee convened on 21 occasions in 2021, typically meeting on a fortnightly basis or more or less frequently as required. The Credit Committee plays a critical role in advising the Board on NAMA credit policy and in ensuring that credit decision making in relation to debtors is consistent with Board policy.

The Credit Committee is responsible for the approval or rejection of credit applications within its delegated authority level (below Board level delegated authority but exceeding the credit approval authority delegated to the NAMA Chief Executive and Chief Commercial Officer by the Board). The Committee is required to operate in a considered and timely manner in order to support efficient credit-related decision making with respect to NAMA's debtor connections.

A credit application is broadly defined to mean any event that materially changes the underlying risk profile of an exposure or debtor. It includes, inter alia, debtor strategy reviews, applications for additional credit including capital expenditure projects, the restructuring or compromise of loan obligations, approval for asset sales, applications for vendor finance or financing for joint venture projects, decisions with respect to personal guarantees and approval of enforcement action, including receivership, repossession and other such actions.

The Committee's principal responsibilities include:

1. Assessing credit applications which fall within the Committee's delegated authority, noting that it may approve/decline and/or amend same as appropriate. Where the level of risk exceeds the authority of the Committee, a credit application is referred, with a Credit Committee recommendation, to the Board for decision.
2. Assessing proposed credit policies for Board consideration/approval.
3. Determining key performance indicators (KPIs) and monitoring them, establishing policies and strategies upon which the performance of the overall portfolio can be assessed and re-defined as appropriate on a periodic basis, and reporting its findings to the Board.

The principal activities of the Committee in 2021 were as follows:

1. Ensuring that systems in place for processing credit applications presented to the Committee and the Board were effective, efficient and appropriate.
2. Review of NAMA approved debtor strategies and progress made to date. The Committee also conducts a bi-annual review of NAMA's top debtor strategies (top debtors are defined as debtors that account for 80% of total NAMA debt).
3. Assessing, recommending and approving 20 individual credit requests ranging from asset management decisions to complex matters related to debtor strategy actions such as continued funding of development assets or final resolution of connections. 13 papers were reviewed by the Committee for recommendation to the Board. Additionally, the Committee oversaw 249 individual credit decisions made within the CEO and CCO level of delegated authority.
4. Making decisions in relation to debtor agreements, Fair Value movements, enforcements and exit strategies.
5. Developing and enhancing credit policies; and assimilation of associated management information.
6. Review of Asset Management strategy and regular reviews of progress on their selected projects.
7. Regular review of progress on business plans of social and economic importance; in particular, those relating to Residential Delivery and the Dublin Docklands SDZ.

2022 is expected to be another active year for the Credit Committee as NAMA endeavours to maximise value from the remaining portfolio by supporting active management of NAMA debtors and receivers in relation to underlying security and continues its deleveraging activity through the processing of a high volume of relatively lower value credit decisions required to meet cash generation targets.

The Credit Committee continues to ensure adherence to the Board's policy in funding development on commercially viable residential sites while ensuring that deleveraging activity continues in a timely manner.

The Credit Committee, cognisant of NAMA's commercial mandate and its Section 10 objective to maximise returns for the State, assesses all proposals rigorously, with the various commercial options being fully considered. The Committee recognises that its decisions may have a significant impact on the assets and the debtors concerned, and it is determined to support projects which add value with a view to stimulating activity and employment but at all times with a view to maximising the return for the Irish taxpayer.

Mari Hurley
Chairperson

Finance and Operating Committee

Charlotte Sheridan | Chairperson

The Finance and Operating Committee comprises two non-executive Board members, one ex-officio Board member and three senior NAMA executives.

The Finance and Operating Committee is comprised of the following members:

- Charlotte Sheridan (Chairperson (appointed September 2021), Board member)
- Eileen Maher (Board member) (resigned as Chairperson September 2021, continues as Committee member)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer)
- Jamie Bourke (Chief Strategy & Transformation Officer)

The following member resigned from the Committee:

- Mari Hurley (Board member) (resigned 5 July 2021)

The Committee met on five occasions in 2021.

The principal responsibility of the Finance and Operating Committee is to monitor the financial and operational management of NAMA and its budgetary and management reporting, including:

1. All financial and management reporting whether to the Minister for Finance, the Oireachtas or otherwise (except for NAMA's annual accounts which are the responsibility of the Audit Committee).
2. Oversight of the preparation of information for management to include management accounts, budgetary analysis and financial performance.
3. The review of performance and variance against budget and prior year performance.
4. Approving major capital expenditure and investment.
5. The management of procurement.
6. Oversight of service providers (other than those whose oversight is reserved specifically to other Board committees).

The Committee oversees the Executive Team's responsibilities for developing, implementing and managing NAMA's financial, operational and budgetary policies and reporting in relation thereto. It makes recommendations to the Board concerning NAMA's expenditure and budgetary requirements. The Chairperson reports formally to the Board on the key aspects of the Committee's proceedings.

A key consideration for the Committee during the year was the on-going impact of Covid-19. The Committee assessed the potential impact of this on NAMA's financial position and cash flows. The Committee reviewed NAMA's occupancy leases as well as its Management Information reporting and cost drivers while it was also kept up to date on key technology sustainability projects including the upgrades to Windows 10 and the Oracle data warehouse platform.

In 2022 the Committee will continue to receive updates on key operational activities and NAMA's performance against budget.

Charlotte Sheridan
Chairperson

Risk Management Committee

Eileen Maher | Chairperson

Pursuant to Section 32 of the Act, the Board established a Risk Management Committee which operates to a Board-approved Terms of Reference

The Risk Management Committee is comprised of the following members:

- Eileen Maher (Chairperson, Board member)
- Davina Saint (Board member)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Conor O'Kelly (Chief Executive, NTMA and ex-officio Board member)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer)

The Committee met on six occasions in 2021.

The overarching purpose of the Risk Management Committee is to embed and oversee the implementation of the Board approved risk policies and tolerances. The Committee is responsible for the ongoing review and oversight of the risk profile of NAMA within the context of the approved risk tolerance and the principal responsibilities include:

- Reviewing and overseeing the Executive Team's plans for the identification, management, reporting and mitigation of the Principal Risks faced by NAMA.
- Overseeing the implementation and review of an Enterprise Risk Management Framework and satisfying itself that appropriate actions are taken in the event that any significant concerns are identified.
- Ensuring that NAMA's risk management, governance and organisational model provide appropriate levels of independence and challenge.

Risk categories identified in the NAMA Enterprise Risk Policy cover a wide spectrum of risks to the achievement of NAMA's objectives.

The principal activities of the Committee in 2021 were as follows:

1. The Committee continuously reviewed NAMA's five Principal Risks which form the basis for the Principal Risks and Uncertainties disclosure in the Annual Report. A Principal Risk is defined as a risk, or combination of risks, that could seriously impact NAMA's ability to achieve its objectives, including its solvency or liquidity, performance or reputation.

   The identification and assessment of Principal Risks is an ongoing process which responds to changes in strategy, business objectives and the external environment. The Committee was briefed on particular Principal Risks or specific elements of such risks by a subject matter expert, where appropriate, to ensure all aspects of the Principal Risks were considered.
2. Integration of risk related data sources such as incident reporting, key risk indicators and audit findings and the overarching Risk Appetite Statements provide a clearer relationship between the organisation's appetite (or lack thereof) for certain risks in the pursuit of its strategic objectives. This analysis complements and reinforces the existing well-established framework of risk tolerances and limits around key risks which have been delegated by the Board to various levels of NAMA management.
3. The composition of the NAMA balance sheet (and associated risks) was monitored throughout 2021. The Committee regularly reviewed the various components of balance sheet risk, the methods by which those risks are measured and reported and considered alternative strategies to mitigate those risks. The Committee made recommendations to the Board where changes in policy, measurement, risk limits or risk management strategy were required to reduce risk to an acceptable level having regard to the balance sheet and changes in the underlying NAMA loan portfolio, interest rate and reducing foreign exchange exposures.
4. The Committee regularly reviewed divisional risk registers, which were continually updated during 2021, and which include operational risks inherent to the business of NAMA. Each division presented at least one review of their risk register during the year to identify new and emerging risks, redundancy or changes in existing risks. The Committee continued to regularly review the risk registers of the Service Providers to gain oversight of the impact and likelihood of risks managed by these entities that could influence the achievement of NAMA's objectives. The Committee requires a quarterly control attestation and ongoing risk awareness training for NAMA employees. The Committee was supported in this effort by Audit and Risk which ensured that the material and emerging risks were reported and considered by the Committee.
5. The continuing impact of Covid-19 and its potential impact on NAMA's objectives were key areas of focus for the Committee and NAMA Board during the year.

Expectations for 2022

The ongoing review of the Risk Appetite Statement, linked to the Principal Risks, will remain a priority for the Committee in 2022 along with ensuring that the risk appetite and risk management framework are appropriate given the phased and orderly wind down of NAMA.

The Committee will continue to monitor the macroeconomic situation closely, noting the ongoing economic uncertainty arising from the pandemic, exacerbated by the impact of the war in Ukraine and its potential impact on NAMA's ability to continue to realise favourable cash flows from underlying assets.

Eileen Maher
Chairperson

Planning Advisory Committee

Michael Wall | Chairperson

The purpose of the Planning Advisory Committee is to advise the Board on planning, land-use and related legislative and case law matters that may have an impact on the realisation of the value of NAMA assets and thereby affect the achievement of NAMA's purpose and functions as set out in Sections 10 and 11 of the Act. The Committee may make recommendations to the Board concerning NAMA's objectives with respect to approved strategies, guidelines and statutory plans, including SDZs and Local Area Plans and their impact on NAMA assets.

Planning Advisory Committee Members:

- Michael Wall (Chairperson, Board member)
- Charlotte Sheridan (Board Member)
- Davina Saint (Board Member)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- John Collison (Chief Commercial Officer)
- Angela Tunney (External Member)

The Committee met on six occasions in 2021.

During 2021, the Committee focussed on NAMA's remaining secured land assets and advised on NAMA's external engagement with planning authorities, the Office of the Planning Regulator, the Department of Housing, Local Government and Heritage, Irish Water and the National Transport Authority.

The Committee provided information to NAMA on:

- the implementation of the Strategic Housing Delivery (SHD) legislation and the proposed new regime, Large Scale Residential Development.
- the planning status of the Poolbeg lands.
- where NAMA security entered (or was proposed to be entered) on the Vacant site register.
- outcomes of Judicial Reviews of planning decisions that are of relevance to NAMA assets.
- Urban Development and Building Heights Guidelines, in particular their application to SDZs.
- the content and relevance to NAMA of the Housing Need and Demand Assessments and Housing Supply Targets issued by government.
- the relevance to NAMA of the Climate Action Plan.
- the relevance to NAMA of the National Transport Strategy.
- the relevant detail of the Affordable Housing Act signed into law in August 2021.
- the relevant detail of the Housing for All plan published in September 2021.
- the relevant detail of draft development plans in areas specific to NAMA assets.
- updates with regard to specific NAMA assets, in particular those located in the Docklands, Kildare and Fingal.

The Committee continues to advise and guide NAMA's participation in a number of social housing initiatives including its liaison with the Housing Agency, local authorities and approved housing bodies (AHBs) to provide residential units for social housing purposes. The Committee provides oversight of the development of the long-term leasing of residential properties via National Asset Residential Property Services DAC (NARPS), a NAMA SPV established to expedite the delivery of social housing. Since the inception of NAMA, 2,687 units have been delivered for social housing, either through direct sales by NAMA debtors or receivers or long-term leasing through NARPS. This figure has considerably exceeded the initial targets set by Government in 2012.

Significant progress has been made in relation to resolving unfinished housing estates. NAMA's exposure in this area has reduced substantially and, as of September 2021, all estates out of the original total of 335, are now resolved.

The Committee provides guidance in relation to facilitating the delivery of new homes (assuming commercially viable). The Committee monitored the significant progress made in 2021. In carrying out its functions, the Committee is greatly assisted by the knowledge and support of the NAMA Planning, Residential Delivery and Social Housing Teams.

Michael Wall
Chairperson

Remuneration Committee

Davina Saint | Chairperson

The Committee was established in June 2016, with formal Terms of Reference approved by the Board in September 2016. The Terms of Reference have been reviewed annually, most recently in April 2022.

The Remuneration Committee is comprised of the following members:

- Davina Saint (Chairperson, Board member, appointed Chairperson in September 2021)
- Aidan Williams (Chairman of the Board)
- Mari Hurley (Board member)
- Michael Wall (Board member)
- Conor O'Kelly (Chief Executive, NTMA and ex-officio Board member)

The Committee met on two occasions in 2021.

Without prejudice to the role of the NTMA as employer of the NAMA Officers, the NAMA Board is responsible for NAMA's overall Remuneration Policy and any performance related pay/retention and redundancy schemes for NAMA officers and is guided in its responsibilities by the advice and recommendations of the NAMA Remuneration Committee.

The principal responsibilities of the Remuneration Committee include to:

1. Review and make recommendations to the NAMA Board on NAMA's overall remuneration policy.
2. Review and make recommendations to the NAMA Board on any redundancy, retention and/or performance related pay schemes for NAMA Officers and on the total annual payments to be made under any such schemes.
3. Make recommendations to the NAMA Board on the remuneration of the NAMA Chief Executive Officer and Executive Team and any changes thereto having regard, inter alia, to government policy and the requirements of the Code of Practice for the Governance of State Bodies 2016 in relation to such remuneration.
4. Obtain reliable, up-to-date information about remuneration in other bodies of comparable scale and complexity. To help it fulfil its obligations, the Committee may appoint remuneration consultants and commission or purchase reports, surveys or information it deems necessary at NAMA's expense but within budgetary constraints set by the Board.
5. Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the Terms of Reference for any remuneration consultants who advise the Committee.
6. Monitor succession planning of the NAMA Chief Executive Officer and Executive Team and the development of current and future leaders of the organisation.
7. Review the criteria and oversight arrangements relating to remuneration matters for NAMA officers which are agreed from time to time between the NAMA Chief Executive Officer and the NTMA.

Responsibility for agreeing with the NTMA on behalf of NAMA the contract terms (including remuneration) which are to apply for any individual employee, has been delegated by the Board to NAMA Chief Executive Officer who, in this regard, must comply with the terms of the Remuneration Policy and any other relevant decisions of the NAMA Board/NAMA Remuneration Committee.

The Remuneration Committee reviewed, and approved HR and remuneration matters during 2021.

The Chairperson reports to the Board on the key aspects of the Committee's proceedings.

Davina Saint
Chairperson

CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES 2016

Governance

At its inception, NAMA adopted the 2009 Code of Practice for the Governance of State Bodies ("2009 Code") as adapted to its particular governance structure and the statutory requirements of the Act.

The revised Code (the "Code") was launched by the Minister for Public Expenditure and Reform in August 2016 with an effective date of 1 September 2016. The revised Code represents a substantial revision of the 2009 Code to take account of governance developments, public sector reform initiatives and stakeholder consultations. The existing State Code was supplemented by a new Annex issued in September 2020 on "Gender Balance, Diversity and Inclusion".

The provisions of the Code do not override existing statutory requirements and obligations imposed by, inter alia, the Companies Acts, Ethics legislation, Standards in Public Office legislation, employment legislation or equality legislation, or the statutory provisions of the NAMA Act 2009. The NAMA Act sets out a detailed and extensive statutory framework which provides a number of governance measures equivalent to the provisions of the Code, including, inter alia, the preparation of strategic plans, the framework for Department of Finance oversight, periodic reviews of NAMA, reporting and accounting obligations, arrangements relating to Board membership and appointment of the Chief Executive Officer and the system for providing staff to NAMA.

Statement of Compliance

NAMA has implemented the Code subject to a limited number of explanations (as provided for in the 'comply or explain' approach to adopting the Code) all of which were notified and agreed in writing with the Department of Finance. In each case, these explanations achieve the objectives of the Code through alternative statutory or governance measures as summarised below:

- NAMA submits a Section 53 Annual Statement to the Minister under the NAMA Act, setting out its strategic plans.
- The Code requires the submission to the Minister of a confidential annual report conforming to specific reporting requirements in the Business and Reporting Requirements section of the Code. This is achieved through a slightly amended comprehensive report, as well as reference to points in the annual report.
- Following a public procurement process, NAMA's internal auditors undertake a periodic review of the effectiveness of the risk management framework, in lieu of the periodic external review.
- With regard to Audit and Risk Committee members, while NAMA will endeavour to comply with the Code, the provisions of the Act take precedence over the Code.
- NAMA's statutory oversight and reporting framework under the Act takes precedence over the corresponding provisions of the Code.
- In relation to Procurement, please see the Statement on Internal Control for details.
- Section 12 of the Act gives NAMA the power to acquire or dispose of property, taking precedence over the corresponding provisions of the Code on acquisition of land, buildings or other material assets.
- The Public Spending Code is not directly applicable to NAMA. In order to apply the best practice financial and economic appraisal principles contained in the Public Spending Code, NAMA utilises a range of market standard appraisal methods and techniques.
- NAMA has adopted policies with regard to business travel which comply with the economy and efficiency principles of the Code. NAMA does not provide subsistence claims to its officers but operates a vouched expense process for the re-imbursement of travel expenses and Department of Public Expenditure and Reform circulars and office notices regarding subsistence are therefore not applied. Revenue approved civil service mileage rates (reflecting Circular 07/2017) are applied.
- With respect to the diversification and establishment of subsidiaries and acquisitions by State Bodies, NAMA is governed by Sections 11 and 12 of the Act, which take precedence over corresponding provisions of the Code.
- NAMA does not operate its own pension scheme; therefore the relevant Code provisions thereon do not apply.
- NAMA applies its own internal Board-approved policies for tax compliance.
- Certain arrangements relating to Board membership and appointment of the Chief Executive Officer, and the system for providing staff to NAMA, have been implemented subject to the NAMA Act, the NTMA Act, and via Executive Committees.
- NAMA does not provide services to the general public; hence no customer charter is required.

Where necessary, as part of its implementation of the Code, NAMA has put in place arrangements to ensure its compliance with the Code. NAMA reviews its policies and procedures on a periodic basis to ensure compliance with the Code and principles of good corporate governance. The Board's adoption of the Code will evolve in line with good corporate governance practices.

DISCLOSURE AND ACCOUNTABILITY

Disclosure requirements

NAMA Board members are subject to a number of disclosure of interests requirements including Section 30 and 31 of the Act, Section 17 of the Ethics in Public Office Act 1995 and Section 5.8 of the Code of Practice for the Governance of State Bodies 2016.

Section 30 of the Act requires Board members to disclose to other members of the Board the nature of any pecuniary interest or other beneficial interest they may have in any matter that is under consideration by the Board. Members must absent themselves from a Board meeting while the matter is under consideration and they are precluded from any vote that may take place on the matter.

Section 31 of the Act imposes an obligation on each member of the Board of NAMA and each Director of a NAMA group entity to give notice to NAMA annually of all registrable interests within the meaning given by the Ethics in Public Office Act 1995.

The members of the Board, members of committees established under Sections 32 and 33 of the Act and Directors of the NAMA group entities are 'designated directors' pursuant to the Ethics in Public Office Act 1995 as amended by the Standards in Public Office Act 2001 (Ethics Acts) and are required to comply with Section 17 of the Ethics Acts in respect of the disclosure of interests.

NAMA Board and Committee members are also required to comply with Section 5.8 of the Code of Practice for the Governance of State Bodies 2016.

Staff assigned to NAMA

Staff assigned to NAMA have obligations to make disclosures of interests pursuant to Section 13 (b) of the National Treasury Management Agency Act 1990 (as amended), Section 18 of the Ethics Acts and Section 42 of the Act. In addition, staff assigned to NAMA are subject to a Code of Practice - Conduct of Officers of NAMA approved by the Minister for Finance under Section 35 of the Act, which sets out their obligations in respect of disclosure of interests, confidentiality, data protection, and insider dealing.

Staff assigned to NAMA are required to sign an undertaking that they will comply with the provisions of the Code of Practice and regular compliance training is mandatory for all staff.

NAMA accountability

In carrying out its functions, the Board of NAMA must comply with its obligations under the Act and is subject to a high level of public accountability.

1. NAMA submits quarterly reports to the Minister for Finance on its activities, as set out in Section 55 of the Act. This includes information about its loans, its financing arrangements and its income and expenditure. Each quarterly report is laid before both Houses of the Oireachtas.
2. NAMA submits annual accounts, in a form directed by the Minister for Finance, under Section 54 of the Act. The accounts must include a list of all debt securities issued, a list of all advances made from the Central Fund or by NAMA and its group entities and a list of asset portfolios with their book valuation. NAMA's accounts are audited by the C&AG and the audited accounts are laid before both Houses of the Oireachtas.
3. In addition to its annual accounts, NAMA is also required to submit to the Minister for Finance, under Section 53 of the Act, an Annual Statement setting out its proposed objectives for each year, the scope of activities to be undertaken, its strategies and policies and its proposed use of resources. Each annual statement is laid before both Houses of the Oireachtas.
4. The Chief Executive Officer and the Chairman, whenever required by the Committee of Public Accounts, attend and give evidence. The Chief Executive Officer and the Chairman also appear before other committees of the Oireachtas whenever required to do so.
5. The Minister for Finance may require NAMA to report to him at any time on any matter including performance of its functions or information or statistics relating to performance.
6. NAMA has prepared codes of practice in accordance with Section 35 of the Act to govern certain matters including the conduct of its officers, servicing standards for acquired bank assets, risk management, disposal of bank assets and the manner in which NAMA is to take account of the commercial interests of non-participating banks. The codes of practice have been approved by the Minister for Finance and are published on www.nama.ie/about-us/governance/codes-of-practice-and-conduct.
7. In accordance with Section 226 and 227 of the Act, after 31 December 2012, the Minister and the C&AG were required separately to assess the extent to which NAMA had made progress toward achieving its overall objectives. Thereafter, the Minister reviews progress every five years and the C&AG every three years. The C&AG's first, second and third Section 226 Progress Reports on NAMA were published in May 2014, June 2018 and July 2020 respectively and the fourth Section 226 Progress Report is currently underway. The Minister's first Section 227 Review was published in July 2014 and second was published in July 2019.

RISK MANAGEMENT

Principal risks and uncertainties

NAMA is exposed to a wide variety of risks which have the potential to impact the financial and operational performance of the Agency and its reputation. The NAMA Risk Management Policy approved by the Board has an integrated approach designed to ensure that all material classes of risk are identified so that business strategy and execution are aligned to minimise the risk to the achievement of NAMA's Strategic Plan. The Risk Management Framework establishes the processes to identify, assess, evaluate, measure, report and mitigate risk. NAMA has identified the following principal risks and uncertainties which may adversely affect the achievement of its objectives.

1. Macro-economic and property risk

Risk that a domestic or international financial or macroeconomic shock causes an inability to meet the Minister of Finance's expectation of NAMA's remaining projected surplus. If there were a downturn in the Irish economy and property market, cash flows realised by NAMA assets could be lower than projected.

2. Human capital risk

If there is a material unplanned loss of human capital, in particular, key senior staff with specialist expertise and experience, it increases the risk that the Agency may not achieve its remaining objectives. A failure to motivate and retain key staff with requisite experience and expertise could result in corporate knowledge loss, capacity constraints to maximise asset realisation values and potentially lower asset realisation values.

3. Dublin Docklands SDZ and Poolbeg West SDZ risks

This is the risk that NAMA fails to deliver on either of its plans for the Dublin Docklands SDZ or the Poolbeg West SDZ. NAMA may not achieve its objectives, including the NAMA Act statutory requirement to obtain the best achievable financial return for the State, if certain risks materialise such as commercial letting risk, delivery of supporting infrastructure, construction risk or contractor failure/poor workmanship.

4. Residential development risks

If NAMA fails to deliver on its target to facilitate the completion of the Board approved residential unit target, subject to commercial viability, there may be a significant reputational and financial impact on NAMA's ability to achieve its objectives including the Section 10 NAMA Act statutory requirement to obtain the best achievable financial return for the State.

5. Reputation risk

If there is negative public, political or industry opinion, it may adversely impact NAMA's core business activities and financial prospects and undermine the Agency's ability to achieve its objectives.

The Principal Risks are routinely monitored by the Risk Management Committee and any changes in the risk profile or significant updates are reported to the Board on a timely basis. Subject matter experts are invited to present at the Risk Management Committee, where appropriate, to ensure that all aspects of these risks are considered.

NAMA has robust risk processes in place to manage risks related to its business to reduce the potential for, and the impact of, unexpected losses. Risks identified by management are prioritised according to probability and impact. Risk status and management assessment, including control action plans, are reviewed by the Risk Management Committee and the Board on a regular basis. Management is challenged to identify risks which have not already been considered. NAMA's response strategies to each risk are designed to ensure that NAMA operates within a defined risk tolerance by avoiding the risk, transferring the risk where possible, reducing the likelihood and/or impact of the risk or accepting the risk subject to ongoing review. The Risk Management Committee makes recommendations to the Board where changes in policy, measurement, risk limits or risk management strategy are required to reduce risk to an acceptable level.

The level of uncertainty associated with the composition of the NAMA balance sheet has continued to reduce with the monetisation to date of the NAMA loan portfolio. NAMA's risk profile has evolved as the core processes and systems have become established and embedded within its operational activities. Macroeconomic risk and the importance of retaining key skillsets as the Agency winds down continue to be risks that require attention.

While the health and economic shock caused by the Covid-19 pandemic has receded, there are continued effects to the Irish and wider global economy including inflation and supply chains. These effects have been exacerbated by the impact of the war in Ukraine which has amplified global economic uncertainty and increased market volatility in international and domestic capital markets. The situation continues to be monitored closely, in terms of its impact on the domestic economy and property market, and in turn, on NAMA's ability to continue to realise favourable cash flows from underlying NAMA assets, and the eventual timing and value of the future transfer of NAMA's remaining projected surplus.

07

Financial Statements

BOARD AND OTHER INFORMATION

Board

Aidan Williams (Chairman)

Brendan McDonagh[2] (Chief Executive Officer)

Conor O'Kelly[2]

Oliver Ellingham

Mari Hurley

Eileen Maher

Davina Saint (appointed 22 December 2020, term commenced 18 January 2021)

Charlotte Sheridan

Michael Wall

Office

Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Principal Bankers

Central Bank of Ireland
North Wall Quay
Dublin 1
D01 F7X3

Citibank
North Wall Quay
Dublin 1
D01 T8Y1

Allied Irish Banks, p.l.c.
Baggot Street Lower
Dublin 2
D02 X342

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

2 *The Chief Executives of NAMA and the NTMA are ex-officio Board members of NAMA.*

BOARD REPORT

The Board of the National Asset Management Agency ('NAMA' or 'the Agency') presents its report and audited NAMA consolidated and Agency financial statements for the financial year ended 31 December 2021.

The financial statements are set out on pages 67 to 144.

Statement of Board's Responsibilities for Financial Statements

The Board of NAMA is responsible for preparing the financial statements of the NAMA Group ('the Group') and the Agency in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Code of Practice for the Governance of State Bodies (2016). The Board is also required by the National Asset Management Agency Act 2009 ('the Act') to prepare financial statements in respect of its operations for each financial year.

The Board considers that the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Agency as at the financial year end date and of the profit of the Group and Agency for the financial year.

In preparing the financial statements, the Board:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the financial statements have been prepared in accordance with applicable accounting standards, identifies those standards, and notes the effect and the reasons for any material departure from those standards; and
- prepares the financial statements on a going concern basis unless it is inappropriate to do so.

The Board is responsible for keeping in such form as may be approved by the Minister for Finance ('the Minister') all proper and usual accounts of all monies received or expended by it and for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and its related entities.

The Board is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management

The Group is exposed to principal risks which have the potential to have a significant impact on the achievement of the Group's overall strategic objectives:

- Domestic or international macroeconomic or financial shock;
- Material unplanned loss of human capital;
- A failure to deliver Dublin Docklands or Poolbeg SDZ plans;
- A failure to deliver Residential Delivery plans;
- Reputation damage.

The principal risks remain under constant review by NAMA's Risk Management Committee and any changes (including the impact of Covid-19) are reported to the NAMA Board. In March and September 2021, the Board approved a Risk Appetite Statement for each of the Principal Risks which defines the propensity for the NAMA Group to take certain risks in order to achieve its strategic objectives.

The Group is exposed to financial risks such as credit risk, market risk (in the form of interest rate risk, foreign exchange risk and other price risk) and liquidity risk in the normal course of business. Further details on how the Group manages these financial risks are given in Notes 22 to 24 of the financial statements.

Board Members' interests

The Members of the Board have no beneficial interest (2020: nil) in NAMA or any NAMA group entity and have complied with Section 30 of the Act in relation to the disclosure of interests.

Auditor

The Comptroller and Auditor General is the Group's auditor by virtue of Section 57 of the Act.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

STATEMENT ON INTERNAL CONTROL

The consolidated and Agency financial statements of National Asset Management Agency ('NAMA') are prepared within a governance framework established by NAMA. The NAMA Board ('the Board') and committees established by the Board are responsible for the monitoring and governance oversight of NAMA and all NAMA Group entities.

The results presented are for the financial year ended 31 December 2021, with comparative results for the financial year ended 31 December 2020.

Covid-19

The move to remote working following the onset of the Covid-19 pandemic in early 2020 resulted in some changes to the working and control environment. As a result, NAMA introduced a number of procedural and control changes. NAMA conducted a review in 2020 of the impact of Covid-19 on NAMA's control environment based on the guidance document issued by the Office of the Comptroller and Auditor General ('OC&AG') as part of their "Audit Insights" Programme. Notwithstanding that NAMA staff continued to predominantly work remotely during 2021, the control environment remains broadly in line with that which had been operating within Treasury Dock.

There has been no material change required to the approved Risk Management Framework and there have been no significant changes to business processes. The monitoring of controls remains appropriate and the controls continue to be effective.

Responsibility for the System of Internal Control

The Board acknowledges its responsibilities for NAMA's system of internal control. This system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Control Environment

The National Asset Management Agency Act, 2009 (the 'Act') provides that the functions of the Board are:

a) to ensure that the functions of NAMA are performed effectively and efficiently;

b) to set the strategic objectives and targets for NAMA;

c) to ensure that appropriate systems and procedures are in place to achieve NAMA's strategic objectives and targets and to take all reasonable steps available to it to achieve those targets and objectives.

The Act provides that the Chief Executive Officer (CEO) shall manage and control generally the administration and business of NAMA and the staff assigned to it and shall perform any other function conferred on them by the Board. The Chief Executive Officer is also the accountable person for the purposes of the Comptroller and Auditor General (Amendment) Act, 1993.

The Board has four statutory committees to oversee the operations of NAMA and its Executive Team: an Audit Committee, a Risk Management Committee, a Credit Committee and a Finance and Operating Committee. In addition, the Board has two other committees: a Planning Advisory Committee and a Remuneration Committee. The Board has agreed formal terms of reference for its committees which are subject to regular review. The Board has delegated certain credit decisions to the Credit Committee and the Executive Team through the Delegated Authority Policy, which is subject to regular review. The Board has also delegated the management of certain aspects of its balance sheet and treasury related policies to the Risk Management Committee and the Executive Team.

The Board's monitoring of the effectiveness of internal control includes the review and consideration of regular reporting to the Board by the Audit Committee (which oversees the work of the Internal Auditor), Risk Management Committee, Credit Committee, Finance and Operating Committee, the Remuneration Committee, the Head of Audit and Risk and the Executive Team.

The Board adopted the 2009 Code of Practice for the Governance of State Bodies ("2009 Code") as adapted to its particular governance structure and the statutory requirements of the Act. A revision to the 2009 Code (the "Code") was launched by the Minister for Public Expenditure and Reform in August 2016 with an effective date of 1 September 2016. An Annex to the Code was published in September 2020 on Gender Balance, Diversity and Inclusion. The Board has implemented the Code from its effective date subject to a limited number of explanations (as provided for in the 'comply or explain' approach to adopting the Code) which, in each case, achieve the objectives of the Code through alternative statutory or governance measures. Where necessary, as part of its implementation of the Code, NAMA has put in place arrangements to ensure its compliance with the Code, and it reviews its policies and procedures on a periodic basis to ensure ongoing compliance with the Code as well as with best practice in corporate governance.

The Audit Committee operates in accordance with the principles outlined in the Code. Its responsibilities include the overseeing of the financial reporting process, reviewing the system of internal control, reviewing the internal and external audit processes and adoption of the Anti–Fraud Policy.

NAMA's Anti–Fraud Policy is reviewed annually by the Board and Audit Committee and was most recently approved by the Board in November 2021. Under this policy, the Audit Committee is to be advised of all reports of fraud or suspected fraud. NAMA has also a Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy which is reviewed by the Board annually and was most recently approved by the Board in December 2021. This policy promotes principles of good corporate governance by providing a procedure for reporting and addressing concerns about possible relevant wrongdoing within the meaning of the Protected Disclosures Act 2014. The policy applies to all NAMA "workers"[3] and makes provision for disclosure of relevant information either internally through a line manager or the NTMA's Head of Compliance or externally by means of a "Nominated Person" (as defined in the Protected Disclosures Policy). The NTMA Head of Compliance and the Nominated Person are then required to report to the Chairperson of the Audit Committee. The Audit Committee is responsible for the ownership of the Reporting of "Relevant Wrongdoing" and Protected Disclosure Policy insofar as it relates to the functions of NAMA, oversight of its implementation with regard to these functions and oversight of investigations to include liaison with the NTMA Head of Compliance to ensure any reports received are properly evaluated and investigated.

In accordance with Section 22 of the Protected Disclosures Act 2014, NAMA publishes a report on its website by the end of June each year relating to the number of protected disclosures made in the preceding year and any actions taken in response to such disclosures.

NAMA has an Executive Team which, in conjunction with the CEO, is responsible for the management of the business of NAMA. Management responsibility, authority and accountability has been formally defined and agreed with the Board.

Codes of Practice have been approved by the Minister for Finance ('the Minister') in accordance with Section 35 of the Act, including, *inter alia*, a Code of Conduct setting out the standards expected of the officers of NAMA. The codes of practice are reviewed annually by the Board and any proposed amendments to the codes are submitted to the Minister for his approval prior to publication on NAMA's website.

NAMA depends to a significant degree on the controls operated by a number of third parties including the NTMA and the Primary and Master Servicers. In this regard, the following should be noted:

- the NTMA has an appropriate system of internal control and any shared services provided to NAMA are provided within this existing control framework;
- NAMA has established procedures with the Primary Servicers and the Master Servicer for the reporting of incidents, including control failures and escalation procedures;
- NAMA has sought and received assurances from the NTMA, BCM Global ASI Limited and Allied Irish Banks p.l.c. that they have reviewed their systems of internal control in relation to their service provision to NAMA.

NAMA continued to ensure that an appropriate control environment exists within the NAMA group for compliance with all applicable tax laws during the financial year. The most recent meeting between NAMA and the Revenue Commissioners under the Co-operative Compliance Framework took place in December 2021. This framework underpins the co-operative engagement that currently exists between the Revenue Commissioners and NAMA.

Following a comprehensive self–review, an unprompted voluntary disclosure was made by NAMA to the Revenue Commissioners in 2017 in relation to Professional Services Withholding Tax (PSWT). The review considered the treatment of PSWT on payments to professional service providers in the period 2013-2016. These payments to professional service providers, on behalf of NAMA debtors via debtor loan draw downs, were funded by NAMA and discharged out of a NAMA bank account which was operated by NAMA's appointed primary servicer. The self-review was initiated by NAMA and conducted with external specialist tax assistance. A preliminary payment of €0.6m was paid in 2017 to the Revenue Commissioners with a further payment of €2.3m in 2021 to close out the unprompted voluntary disclosure. The total payments included €1m interest and €0.1m penalties. The unprompted voluntary disclosure was not material in the context of NAMA's overall quantum of PSWT payments of €138m to the Revenue Commissioners, since 2011. As part of the self-review, NAMA's internal control processes were enhanced in 2017 to ensure that a similar underpayment of PSWT did not recur. The unprompted voluntary disclosure has been accepted by Revenue and the matter is now closed.

The Board of NAMA remains committed to continued exemplary compliance with all applicable tax laws.

3 A "worker" is a person who comes within the definition of a worker in the Protected Disclosures Act. This includes, in each case, whether current or former, all persons employed by the NTMA under a contract of employment, whether permanent, part-time or fixed-term, and assigned to NAMA (NAMA Officers); and consultants, contractors, other persons engaged under a contract for services, interns, casual workers, agency workers, work experience students and suppliers.

Risk Assessment

The Risk Management Committee is responsible for overseeing the implementation of the Board approved risk policies and tolerance levels. The Risk Management Committee ensures that risk is managed effectively and efficiently to achieve an overall commercial outcome in accordance with the Act. The Risk Management Committee has established reporting mechanisms to monitor and review key risks and mitigation strategies to ensure that those risks operate within Board approved limits.

A risk register is maintained by each NAMA division, which identifies and categorises risks which may prevent NAMA from achieving its objectives and assesses the impact and likelihood of various risk events across the organisation and its operating environment. On the basis of risks identified, actions are agreed to manage and mitigate these risks. Divisional risk registers are reviewed on a quarterly basis by Divisional Heads and sign off attestations are submitted to the NAMA Audit and Risk function. These risk registers are reviewed by the NAMA Audit and Risk function. Each division presents a high level paper of its risk register to the Risk Management Committee once a year.

Divisional risk registers are consolidated into an overall entity-wide risk register which is reviewed by the Risk Management Committee on a quarterly basis, and by the Board at least annually. On a quarterly basis, Senior Management are required to attest to the operation of controls that have been agreed in their divisions to manage and mitigate risks.

The Risk Management Committee identified five Principal Risks which have the potential to have a significant impact on the achievement of NAMA's overall Strategic Objectives. These principal risks are:

- Domestic or international macroeconomic or financial shock;
- Material unplanned loss of human capital;
- A failure to deliver Dublin Docklands plans or Poolbeg SDZ plans;
- A failure to deliver Residential Delivery plans;
- Reputation damage.

The principal risks remain under constant review by the Risk Management Committee and any changes are reported to the NAMA Board contemporaneously. In March and September 2021, the NAMA Board approved a Risk Appetite Statement for each of the Principal Risks which defines the propensity for NAMA to take certain risks in order to achieve its strategic objectives.

BCM Global ASI Limited and Allied Irish Banks, p.l.c. also submit quarterly risk registers to NAMA Audit & Risk function in line with standard templates agreed with NAMA.

Key Internal Control Processes

NAMA has developed policies and procedures in respect of the key aspects of the administration and management of its business. These policies and procedures are regularly reviewed by their business owners and updated to align with business processes.

NAMA has established a financial reporting framework to support its monthly, quarterly and annual financial reporting objectives and for the preparation of consolidated and Agency financial statements which incorporates the processes and controls described in this statement. NAMA operates an automated consolidation process to mitigate the risks of error in the consolidated Financial Statements.

NAMA implements continuous improvements to its management information systems in order to facilitate enhanced reporting to the Board, Finance and Operating Committee and Executive Team on its performance. NAMA continues to develop management information to support and monitor the achievement of NAMA's strategic objectives.

The Credit Committee is responsible for making credit decisions within its delegated authority from the Board. These include, inter alia, the approval of debtor asset management/debt reduction strategies, advancement of new money, approval of asset/loan disposals, the setting and approval of repayment terms, property management decisions, decisions to take enforcement action where necessary and debt compromise. The Credit Committee also reviews and makes recommendations to the Board in relation to specific credit requests where authority rests with the Board. It is responsible for evaluating relevant policies for ultimate Board approval and provides an oversight role in terms of substantial credit decisions made below the delegated authority level of the Credit Committee. Finally, the Credit Committee reviews management information in relation to the Asset Management & Recovery and Residential Delivery functions in respect of NAMA's portfolio to support its decision making.

The Audit Committee, by fulfilling its responsibilities as set out in its Terms of Reference, contributes to the Internal Control process.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Procurement

NAMA has an established Procurement Policy and a Procurement Guidance & Procedures Document (collectively "NAMA's Procurement Documents") which are reviewed and presented to the Board annually for approval. The procurement requirements of NAMA are carried out in accordance with the aforementioned documents which incorporate applicable laws.

NAMA is subject to EU Directive 2014/24/EU as implemented in Ireland by the European Union (Award of Public Authority Contracts) Regulations 2016 (the 'Regulations'), in respect of the procurement of goods, works and services above certain value thresholds set by the EU[4]. Where the Regulations do not apply – either because the value of the procurement is below the EU thresholds or falls outside of the Regulations – NAMA adopts a process that is designed to achieve the best value for money pursuant to NAMA's Procurement Documents.

NAMA is committed to incorporating the use of environmental and social considerations into its procurement practices where the opportunity arises and it is appropriate to do so.

The Office of Government Procurement (OGP) has issued a series of procurement guidelines concerning the procurement of goods, works and services at values below the aforementioned EU thresholds. The requirement for public bodies to implement the OGP's procurement guidelines is contained in the Code.

In a letter to the Department of Finance regarding the implementation of the Code, NAMA identified that it does not propose to comply with the full suite of the current procurement guidelines as set out by the OGP due to the reasons set out below:

- NAMA's Procurement Documents are consistent with the principles of the various guidelines set by the OGP save in respect of that part of the Department of Public Expenditure and Reform's Circular 10/2014 which requires all procurements over €25,000 to be advertised on the national procurement website www.eTenders.gov.ie. Given that NAMA operates in a commercial environment and must maintain its commercial competitiveness, NAMA has adopted alternative procurement processes which seek to provide optimum value for money while taking account of a number of other factors including, inter alia, efficiencies gained from the use of procured panels of suitable service providers/advisors, confidentiality, conflicts of interest and timelines for commencement of delivery of services. In certain instances, as provided for in NAMA's Procurement Documents, it is deemed appropriate to obtain duly authorised derogations from procurement (i.e. not run a competitive tender process). Derogations are only approved in limited circumstances underpinned by legitimate commercial and/or legal reasons.

The use of derogations under NAMA's Procurement Documents does not amount to non-compliant procurement. For contracts that are over the EU threshold, generally EU legislation applies.

Derogations to NAMA's Procurement Documents are approved by the CEO. All derogations are reported to the Finance and Operating Committee and then onto the Board where the derogation exceeds €100,000.

Details of the derogations are set out in tables 1.1 and 1.2 hereunder. During 2021 the CEO approved derogations to a total value of circa. €2.48m (circa. €2.34m being attributed to mainly contentious legal services - see notes under table 1.1). In 2020 total derogations amounted to circa. €1.59m of which circa. €1.28m was attributed to legal services. It should be noted that NAMA reports all derogations regardless of value and therefore includes derogations below €25,000 (which do not require reporting under the Code) to ensure complete spend transparency.

The amounts attributed to derogations are based on estimates at the time the derogation is sought and contract awarded. Some contracts may have a term that extends over the financial year end and will be reported in the year the contract was awarded. An exception to this is where an increase in the estimated value of a contract under derogation is sought, where it is NAMA's policy to then seek a further derogation noting the revised cumulative estimated value. The contract noting its revised cumulative value is then recorded as a derogation in that reporting period also. Therefore and given the foregoing, NAMA includes in its derogation reports contracts that have a revised estimated value notwithstanding the original contract/preceding increase had been reported in a previous financial year.

The reasons for the derogations noted in the tables below include: the highly sensitive/confidential nature of the matter; where there are conflicts of interest issues; where the service providers have prior existing knowledge of the matter such as the debtor/asset in question resulting in material cost savings; and/or, for urgent or sensitive legal reasons.

4 The EU procurement threshold that applied to the procurement of most goods and services during the financial year 2021 was €215,000. The EU procurement thresholds are subject to review every two years, with the next review due to take place in January 2024. The EU threshold to €215,000 is applicable to end 2023. A different regime applies to certain other services such as non-contentious legal services where a threshold of €750,000 applies – see Note 1 below.

TABLE 1.1 DEROGATIONS FROM PROCUREMENT FOR LEGAL SERVICES - CONTENTIOUS AND NON CONTENTIOUS:

Category	Number of Contracts 2021	Estimated value of contracts awarded 2021 €'000	Number of Contracts 2020	Estimated value of contracts awarded 2020 €000
(A) Contentious legal services/Litigation related legal services	6	2,244	3	204
(B) Non contentious legal services	2	98	11	1,071
Total	**8**	**2,342**	**14**	**1,275**

Note 1: Category (A) Contentious legal services/litigation related services are excluded services under the Procurement Regulations. (B) Non-contentious legal services are caught by a "light touch" regime under the Procurement Regulations where the value of any one contract exceeds €750,000.

Note 2: NAMA identifies as derogations, appointments made from NAMA's established legal panels which were subject to an initial procurement process securing competitive hourly rates but that were not subject to a second round of tendering (or mini-tender) when a specific scope of services has been identified. This second round of tendering is NAMA's general practice under its panels/frameworks as it facilitates fixed fee components where practicable to allow for controlled expenditure, ensuring best value for money is achieved. A majority of the derogations noted in Table 1.1 come within this category.

TABLE 1.2 DEROGATIONS FROM PROCUREMENT FOR NAMA BUSINESS UNITS (EXCL. LEGAL):

NAMA Department	Number of Contracts 2021	Estimated value of contracts awarded 2021 €'000	Number of Contracts 2020	Estimated value of contracts awarded 2020 €'000
Asset Management & Recovery	3	134	3	135
Corporate	-	-	2	171
Residential Delivery	-	-	1	10
Total	**3**	**134**	**6**	**316**

NAMA will continue to adhere to NAMA's Procurement Documents, which NAMA believes are sufficient to achieve the public expenditure objectives of the Code. NAMA incorporates a high level of oversight and transparency through its procurement processes and uses e-tenders and the Official Journal of the European Union (OJEU) where applicable.

IT Systems and Infrastructure

NAMA follows a structured approach for business system projects undertaken, which is governed by detailed procedure documents. During 2021 the core systems, which are the NAMA Loans Warehouse, the Portfolio Management System, the Document Management System and the Management Information System, underwent programmes of enhancements rather than significant change. NAMA has in place controls in respect of IT access for new hires, changes in access rights due to staff changes or following an employee's notification of resignation. A semi-annual review of access to systems and data is carried out by the Systems Support Team and reported to the Head of Systems.

NAMA has put in place an appropriate framework to ensure that it complies with the General Data Protection Regulation and the Data Protection Act, 2018. As part of this framework, NAMA has also implemented systems and controls to restrict the access to confidential information. Where NAMA has become aware of a potential data breach or unauthorised use of confidential information, these have been fully investigated and where necessary reported to the appropriate authorities.

Financial and management reporting

The Finance and Operating Committee monitors the financial and operational management of NAMA and its management reporting and budgeting, including the preparation of annual budgets. NAMA provides regular assessments of its actual to budgeted income and expenditure and cash flow to the Finance and Operating Committee. The Finance and Operating Committee also monitors the development and implementation of NAMA's systems.

NAMA presents financial information to each meeting of the Finance and Operating Committee and Board and presents quarterly and annually financial information to the Minister as required under the Act.

In addition, NAMA provides regular management information to the Executive Team, the Finance and Operating Committee and the Board on the performance of debtors and the loan portfolio.

Internal Audit

PricewaterhouseCoopers Ireland act as Internal Auditor for NAMA. NAMA's Internal Auditor has established an internal audit function, which operates in accordance with the Code. An internal audit plan for 2021 was approved by the Audit Committee. In accordance with this plan, the Internal Auditor has carried out a number of audits of controls in operation in NAMA, BCM Global ASI Limited, and Allied Irish Banks p.l.c. The Internal Auditor reports its findings directly to the Audit Committee.

These reports highlight deficiencies or weaknesses, if any, in the systems of internal control and recommend corrective measures to be taken where deemed necessary. The Audit Committee receives updates, on a regular basis, on the status of the issues raised by the internal and external auditors and follows-up with NAMA management to ensure appropriate and timely action is being taken in respect of issues raised.

Monitoring of the performance of Service Providers

NAMA has established processes to monitor the performance of the Primary Servicers and the Master Servicer. These include monthly service reports, regular service reviews and regular steering committee meetings to review performance and operational issues.

The NTMA/NAMA Service Committee was established in 2014 and the Committee meets as and when required to oversee the delivery of shared services provided by the NTMA to NAMA.

Public Reporting

NAMA has established a Communications function whose responsibility is to manage external communications with stakeholders and with the press to ensure that the Agency acts as transparently as possible, within the parameters of its legal obligations.

Processes for receiving, reviewing and responding to general public queries have been established as well as processes for handling and responding to Parliamentary Questions and Oireachtas queries. The NAMA Communications Team has overall responsibility for providing information to and responding to follow up queries from Oireachtas Committees.

Freedom of Information and GDPR requests are dealt with by a dedicated team within the Legal division. This team has established policies and procedures for handling such requests.

Annual Review of Controls

We confirm that the Board has reviewed the effectiveness of NAMA's system of internal control for the financial year ended 31 December 2021. A detailed review of the effectiveness of the system of internal control was performed by the Audit Committee and the Risk Management Committee, which reported their findings to the Board in March 2022. This review of the effectiveness of the system of internal control included:

- review and consideration of changes since the last review in the significant risks facing NAMA and its ability to respond to changes in business and the external environment;
- review and consideration of regular reporting to the Board by the Audit Committee and the Risk Management Committee on the system of internal control;
- review and consideration of the effectiveness of NAMA's public reporting process;
- review and consideration of the work programme of the Internal Auditor and consideration of its reports and findings;
- review of internal financial control issues identified by the Office of the Comptroller and Auditor General and by the statutory auditors of NAMA Group's subsidiaries, in their work as external auditors;
- review of regular reporting from the Internal Auditor on the status of the internal control environment and the status of issues raised previously from their own reports and matters raised by the Office of the Comptroller and Auditor General. There is also follow-up by the Audit Committee with NAMA management to ensure appropriate and timely action is being taken in respect of issues raised;
- review of letters of assurance received from the NTMA, BCM Global ASI Limited and Allied Irish Banks p.l.c. in respect of the operation of their systems of internal control during the financial year;
- review of control assurance statements completed by NAMA's Executive Team and Senior Management in respect of the effectiveness of the system of internal control during the financial year.

No weaknesses in internal control were identified in relation to 2021 that require disclosure in the financial statements.

Aidan Williams
Chairman

20 April 2022

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Asset Management Agency

Opinion on the financial statements

I have audited the group and Agency financial statements of the National Asset Management Agency for the year ended 31 December 2021 as required under the provisions of section 57 of the National Asset Management Agency Act 2009. The financial statements comprise

- the consolidated income statement
- the consolidated statement of comprehensive income
- the Agency income statement
- the consolidated and Agency statements of financial position
- the consolidated and Agency statements of changes in equity
- the consolidated and Agency statements of cash flows, and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the National Asset Management Agency at 31 December 2021 and of its income and expenditure for 2021 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the National Asset Management Agency Act 2009.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI). My responsibilities under those standards are described in the appendix to this report. I am independent of the National Asset Management Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The National Asset Management Agency has presented certain other information together with the financial statements. This comprises the annual report including the governance statement, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

Payment to Revenue Commissioners

I draw attention to a disclosure in the statement on internal control that the Agency finalised a settlement with the Revenue Commissioners in 2021 in relation to an unprompted voluntary disclosure that was made in 2017 in respect of Professional Services Withholding Tax. The settlement comprised payment of tax of €1.8 million, late payment interest of €1 million and penalties of €0.1 million.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

22 April 2022

APPENDIX TO THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

Responsibilities of Board members

As detailed in the Board report, Board members are responsible for

- the preparation of annual financial statements in the form prescribed under section 54 of the National Asset Management Agency Act 2009
- ensuring that the financial statements give a true and fair view in accordance with the International Financial Reporting Standards (IFRS)
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 57 of the Act to audit the financial statements of the National Asset Management Agency and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Asset Management Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the National Asset Management Agency to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Group €'000	Financial year ended 31 December 2020 Group €'000
Net gains on debtor loans measured at FVTPL	4	180,983	149,005
Net gains on investment properties	5	22,468	5,171
Interest income	6	-	4
Fee income	8	63	8,606
Other income/(expense)	9	27,658	(2,529)
Net profit on disposal and refinancing of loans	10	1,845	86,840
Net profit on disposal of property assets	11	3,596	34,480
Interest and similar expense	7	(569)	(7,617)
Profit on derecognition of subsidiaries	12	26,217	-
Net operating income		**262,261**	**273,960**
Administration expenses	13	(50,839)	(63,028)
Foreign exchange gains/(losses)	14	122	(99)
Operating profit before tax		**211,544**	**210,833**
Tax charge	15	(16,292)	(18,835)
Profit for the financial year		**195,252**	**191,998**
Profit attributable to:			
Owners of the parent		**195,252**	**191,998**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Group €'000	Financial year ended 31 December 2020 Group €'000
Profit for the financial year		**195,252**	**191,998**
Items that are or may be reclassified subsequently to profit or loss:			
Net movement in financial assets measured at FVOCI	*16*	–	(1,206)
Income tax relating to components of other comprehensive income	*16,27*	–	685
Other comprehensive expenses for the financial year net of tax		**-**	**(521)**
Total comprehensive income for the financial year		**195,252**	**191,477**
Total comprehensive income attributable to:			
Owners of the parent		**195,252**	**191,477**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

AGENCY INCOME STATEMENT
For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Agency €'000	Financial year ended 31 December 2020 Agency €'000
Net gains on intergroup loan measured at FVTPL	*4*	34,280	-
Interest income	*6*	265	181
Other income	*9*	29,463	31,997
Interest and similar expense	*7*	(1)	(2)
Administration expenses	*13*	(29,705)	(32,272)
Profit/(loss) for the financial year		**34,302**	**(96)**

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 Group €'000	31 December 2020 Group €'000
Assets			
Cash and cash equivalents	17	748,396	417,669
Cash placed as collateral with the NTMA	17	-	3,000
Exchequer Notes	17	-	875,000
Derivative financial instruments	18	-	254
Debtor loans measured at FVTPL	19	714,861	850,081
Other assets	28	14,234	9,374
Investments in equity instruments	26	21,879	13,381
Inventories – trading properties	20	100	162,298
Investment properties	21	314,000	292,001
Total assets		**1,813,470**	**2,623,058**
Liabilities			
Derivative financial instruments	18	-	26
Other liabilities	29	27,796	29,920
Tax payable	30	606	722
Deferred tax	27	6,238	8,812
Total liabilities		**34,640**	**39,480**
Equity			
Retained earnings	33	1,778,830	2,583,578
Total equity		**1,778,830**	**2,583,578**
Total equity and liabilities		**1,813,470**	**2,623,058**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

AGENCY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 Agency €'000	31 December 2020 Agency €'000
Assets			
Cash and cash equivalents	*17*	33	181
Intergroup loan measured at FVTPL	*19*	514,173	1,479,893
Other assets	*28*	15,666	13,593
Investment in subsidiary	*34*	105,696	105,696
Total assets		**635,568**	**1,599,363**
Liabilities			
Interest bearing loans and borrowings	*32*	52,825	53,336
Other liabilities	*29*	17,946	15,532
Total liabilities		**70,771**	**68,868**
Equity			
Retained earnings	*33*	564,797	1,530,495
Total equity		**564,797**	**1,530,495**
Total equity and liabilities		**635,568**	**1,599,363**

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

20 April 2022

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Retained earnings Group €'000	Total equity Group €'000
Balance as at 31 December 2020		**2,583,578**	**2,583,578**
Profit for the financial year	33	195,252	**195,252**
Total comprehensive income		**195,252**	**195,252**
Transfer of surplus to the Exchequer	33	(1,000,000)	**(1,000,000)**
Balance as at 31 December 2021		**1,778,830**	**1,778,830**

	Note	Other equity Group €'000	Retained earnings Group €'000	Other reserves Group €'000	Non-controlling interests Group €'000	Total equity Group €'000
Balance as at 31 December 2019		**1,064,000**	**4,453,366**	**521**	**51,000**	**5,568,887**
Profit for the financial year	33	-	191,998	-	-	**191,998**
Other comprehensive income:						
Movement in financial assets measured at FVOCI	16	-	-	(1,206)	-	**(1,206)**
Income tax relating to components of other comprehensive income	16	-	-	685	-	**685**
Total comprehensive income		**-**	**191,998**	**(521)**	**-**	**191,477**
Dividend paid on B ordinary shares	33	-	(34)	-	-	**(34)**
Coupon paid on subordinated bonds	33	-	(56,009)	-	-	**(56,009)**
Redemption of subordinated bonds		(1,064,000)	-	-	-	**(1,064,000)**
Private Investor Share Purchase	33	-	(5,100)	-	(51,000)	**(56,100)**
Transaction costs	33	-	(643)	-	-	**(643)**
Transfer of surplus to the Exchequer	33	-	(2,000,000)	-	-	**(2,000,000)**
Balance as at 31 December 2020		**-**	**2,583,578**	**-**	**-**	**2,583,578**

The accompanying notes form an integral part of these financial statements.

AGENCY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	31 December 2021 Agency €'000	31 December 2020 Agency €'000
Balance as at 31 December		**1,530,495**	**3,530,591**
Profit/(loss) for the financial year	33	34,302	(96)
Total comprehensive income/(expense)		**34,302**	**(96)**
Transfer of surplus to the Exchequer	33	(1,000,000)	(2,000,000)
Balance as at 31 December attributable to the Agency		**564,797**	**1,530,495**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Group €'000	Financial year ended 31 December 2020 Group €'000
Cash flows from operating activities			
Debtor Loans			
Receipts from loans		452,928	855,437
Funds advanced to borrowers		(142,152)	(247,482)
Fee income		63	8,606
Net cash provided by debtor loans		**310,839**	**616,561**
FX Derivatives/Spots			
Cash inflow on foreign currency derivatives/spots	*14*	28,466	91,047
Cash outflow on foreign currency derivatives/spots	*14*	(28,466)	(90,311)
Net cash provided by FX derivative/spot activities		**-**	**736**
Other operating cash flows			
Payments to suppliers of services		(55,560)	(59,951)
Tax paid		(22,043)	(11,452)
Interest paid on cash and cash equivalents		(559)	(7,781)
Dividend paid on B ordinary shares	*33*	-	(34)
Coupon paid on subordinated debt issued	*33*	-	(56,009)
Funds paid to acquire properties		-	(1,271)
Funds received on disposal of properties		206,450	42,932
Rental income received		13,473	12,677
Return of Collateral funds from NTMA		3,000	22,000
Transfer of surplus to the Exchequer	*33*	(1,000,000)	(2,000,000)
Net cash used in other operating activities		**(855,239)**	**(2,058,889)**
Net cash used in operating activities		**(544,400)**	**(1,441,592)**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Group €'000	Financial year ended 31 December 2020 Group €'000
Cash flows from investing activities			
Interest received on government bonds		-	15,775
Disposal of investments in equity instruments		1,052	2,496
Distributions received from equity instruments	9	810	788
Maturity of government bonds		-	325,000
Funds paid to acquire Exchequer Notes		(550,000)	(2,935,000)
Funds received on maturity of Exchequer Notes		1,425,000	2,060,000
Net cash provided by/(used in) investing activities		**876,862**	**(530,941)**
Cash flows from financing activities			
Payment of lease liabilities	29	(1,893)	(1,893)
Redemption of subordinated bonds		-	(1,064,000)
Private Investor share purchase		-	(56,100)
Net cash used in financing activities		**(1,893)**	**(1,121,993)**
Cash and cash equivalents held at the beginning of the financial year	17	417,669	3,512,314
Net cash used in operating activities		(544,400)	(1,441,592)
Net cash provided by/(used in) by investing activities		876,862	(530,941)
Net cash used in financing activities		(1,893)	(1,121,993)
Effects of exchange-rate changes on cash and cash equivalents	14	158	(119)
Total cash and cash equivalents held at the end of the financial year	17	**748,396**	**417,669**
Financial assets and cash collateral			
Cash collateral placed with the NTMA	17	-	3,000
Exchequer Notes	17	-	875,000
Total		**748,396**	**1,295,669**

The accompanying notes form an integral part of these consolidated financial statements.

AGENCY STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	Financial year ended 31 December 2021 Agency €'000	Financial year ended 31 December 2020 Agency €'000
Cash flow from operating activities			
Bank interest paid		(1)	(2)
Board fees paid		(149)	(172)
Net reimbursement from National Asset Loan Management D.A.C.		2	179
Net cash (used in)/provided by operating activities		**(148)**	**5**
Cash held at the beginning of the financial year	*17*	181	176
Net cash (used in)/provided by operating activities		(148)	5
Cash held at the end of the financial year	*17*	**33**	**181**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note reference	
1.	General information
2.	Significant accounting policies
3.	Critical accounting estimates and judgements
4.	Net gains on debtor loans/intergroup loan measured at FVTPL
5.	Net gains on investment properties
6.	Interest income
7.	Interest and similar expense
8.	Fee income
9.	Other income/(expense)
10.	Net profit on disposal and refinancing of loans
11.	Net profit on disposal of property assets
12.	Profit on derecognition of subsidiaries
13.	Administration expenses
14.	Foreign exchange gains/(losses)
15.	Tax charge
16.	Income tax relating to components of other comprehensive income
17.	Cash and cash equivalents, collateral and Exchequer Notes
18.	Derivative financial instruments
19.	Debtor loans/intergroup loan measured at FVTPL
20.	Inventories – trading properties
21.	Investment properties
22.	Risk management
23.	Credit risk
24.	Liquidity risk
25.	Fair value of assets and liabilities
26.	Investments in equity instruments
27.	Deferred tax
28.	Other assets
29.	Other liabilities
30.	Tax payable
31.	Commitments and contingent liabilities
32.	Interest bearing loans and borrowings
33.	Reconciliation of reserves
34.	Shares and investments in group undertakings
35.	Related party disclosures
36.	Supplementary information provided in accordance with Section 54 of the Act
37.	Capital management
38.	Events after the reporting date
39.	Approval of the financial statements

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.

The Act established NAMA as a separate statutory body, with its own Board and Chief Executive Officer appointed by the Minister for Finance, in December 2009. The NAMA Board and all committees established by the NAMA Board are also responsible for the oversight and governance of all NAMA Group entities.

NAMA is the ultimate and immediate parent of the NAMA Group. The group of which the Agency is a member and for which consolidated financial statements are prepared is NAMA.

The main purpose of NAMA was to acquire assets in the form of property related loans from credit institutions which were designated by the Minister for Finance as Participating Institutions under Section 67 of the Act. 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').

At the reporting date, the management of all loans acquired from Participating Institutions is being performed by NAMA and AIB. AIB and BCM Global ASI Limited (formerly Link Asset Services) provide loan administration services.

1.1 National Asset Management Agency Group

For the purposes of these financial statements, the 'NAMA Group' comprises: the parent entity NAMA, National Asset Management Agency Investment Designated Activity Company ('D.A.C.'), National Asset Management D.A.C., National Asset Management Group Services D.A.C., National Asset Loan Management D.A.C., National Asset North Quays D.A.C., National Asset Management Services D.A.C., National Asset JV A D.A.C., National Asset Property Management D.A.C., National Asset Residential Property Services D.A.C., National Asset Leisure Holdings Limited (in Voluntary Liquidation), RLHC Resort Lazer SGPS, SA and RLHC Resort Lazer II SGPS, SA. Pembroke Ventures D.A.C, Pembroke Beach D.A.C. and Pembroke West Homes D.A.C. ceased to be NAMA Group entities on 4 June 2021. National Asset Sarasota LLC was dissolved on 21 October 2021 and ceased to be a NAMA Group entity on the same date.

On 18 December 2014, NALHL (in Voluntary Liquidation) was placed into liquidation by its members. As the liquidator has assumed the rights of the shareholder and now controls NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, NALHL (in Voluntary Liquidation) is not consolidated into the results of the NAMA Group at the reporting date. For further information see Note 34.3.

The relationship between the NAMA Group entities at 31 December 2021 is summarised in Chart 1 (page 81).

National Asset Management Agency Investment D.A.C. (NAMAI)

NAMAI was incorporated on 27 January 2010. NAMAI is the company through which private investors had invested in the Group.

After NAMAI was incorporated, NAMA invested €49m in NAMAI, receiving 49m A ordinary shares. The remaining €51m was invested in NAMAI by private investors, each receiving an equal share of 51m B ordinary shares. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA could exercise a veto over decisions taken by NAMAI. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity was restricted and NAMA had effective control of the company. By virtue of this control, NAMA consolidated NAMAI and its subsidiaries and the 51% external investment in NAMAI was reported as a non-controlling interest in the financial statements. On 26 May 2020, NAMA exercised an option to purchase the private investors' 51% shareholding in NAMAI. From this date, NAMA held a 100% shareholding in NAMAI. During 2021, NAMAI advanced a loan to a project in which NAMA has an economic interest.

National Asset Management D.A.C. (NAM)

NAM was incorporated on 27 January 2010. NAM is responsible for issuing the government guaranteed debt instruments and the subordinated debt, which were used as consideration in acquiring loan assets. The Government guaranteed debt securities issued by NAM were listed on the Irish Stock Exchange until their redemption in full in 2017. By March 2020, all the subordinated debt had been fully redeemed.

After NAM was incorporated, the government guaranteed debt instruments and the subordinated debt instruments were transferred to NAMGS and by NAMGS to NALM. The latter used these debt instruments as part consideration for the loan assets acquired from the Participating Institutions.

NAM had fourteen subsidiaries during the reporting period and has ten at the reporting date.

1. General Information (continued)

1.1 National Asset Management Agency Group (continued)

1) National Asset Management Group Services D.A.C. (NAMGS)

NAMGS was incorporated on 27 January 2010. NAMGS acquired certain debt instruments issued by NAM under a profit participating loan ('PPL') agreement, and in turn, made these debt instruments available to NALM on similar terms. NAMGS is wholly owned by NAM.

NAMGS acted as the holding company for its thirteen subsidiaries during the reporting period. At the reporting date it holds nine subsidiaries. NALM, NANQ, NAMS, NAJV A, NAPM, NARPS, NALHL (in Voluntary Liquidation), RLHC and RLHC II. Pembroke Ventures D.A.C (PV), Pembroke Beach D.A.C. (PB) and Pembroke West Homes D.A.C. (PWH) were subsidiaries until they ceased to be NAMA Group entities on 4 June 2021. National Asset Sarasota LLC (NASLLC) was dissolved on 21 October 2021 and ceased to be a NAMA Group entity on this date.

NAMGS recognised a 20% equity investment in PV from 4 June 2021.

2) National Asset Loan Management D.A.C. (NALM)

NALM was incorporated on 27 January 2010. The purpose of NALM is to acquire, hold, and manage the loan assets acquired from the Participating Institutions. NALM has one subsidiary, NANQ.

3) National Asset North Quays D.A.C. (NANQ)

NANQ was incorporated on 8 April 2015. NANQ is a 100% wholly owned subsidiary of NALM and was established to hold the freehold lands acquired by NAMA at 72-80 North Wall Quay, Dublin 1 in February 2015 and to receive proceeds from a secure income stream from the lands in the form of a licence fee. The licence was granted to a third party for a period of six years to enable the development of the site for long-term commercial benefit. In addition to the secure income stream, a fixed percentage of rents and a percentage of sales proceeds of any completed development built on the lands are due to NANQ. This development is now complete.

4) National Asset Management Services D.A.C. (NAMS)

NAMS was incorporated on 27 January 2010. Previously a non-trading entity, NAMS acquired a 20% shareholding in a general partnership associated with the NAJV A investment during 2013.

5) National Asset JV A D.A.C. (NAJV A)

On 4 July 2013, NAMA established a subsidiary, NAJV A. NAJV A is a wholly owned subsidiary of NAMGS. NAMA entered an arrangement with a consortium whereby a 20% interest in a limited partnership was acquired and NAJV A was established to facilitate this transaction. Since its incorporation, NAJV A has invested in other arrangements with third parties where it has taken a minority, non-controlling equity interest in an investee to facilitate the delivery of commercial and residential real estate.

6) National Asset Property Management D.A.C. (NAPM)

NAPM was incorporated on 27 January 2010. The purpose of NAPM is to take direct ownership of assets if and when required.

NAPM had five subsidiaries NARPS, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II during the reporting period and has four at the reporting date. NASLLC was dissolved on 21 October 2021 and ceased to be a NAMA Group entity on this date.

1. General Information (continued)

1.1 National Asset Management Agency Group (continued)

7) National Asset Residential Property Services D.A.C. (NARPS)

On 18 July 2012 NAMA established a subsidiary NARPS. NARPS is a wholly owned subsidiary of NAPM and was established to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies and/or local authorities for social housing purposes. On 28 September 2019, the Minister for Finance issued a direction to NAMA to retain ownership of NARPS. NARPS is to remain in State ownership and the value attributable may form part of any potential transfer of assets as part of the surplus transfer.

A total of 2,687 (2020: 2,614) residential properties were delivered to the social housing sector by NAMA debtors from inception to the reporting date, of which 2,621 (2020: 2,580) were completed and contracts on a further 66 (2020: 34) properties (for direct sale) were exchanged by the reporting date. Completed units delivered since inception include the direct sale of 1,160 (2020: 1,119) properties by NAMA debtors and receivers to various approved housing bodies and/or local authorities, the direct leasing of 89 (2020: 89) properties by NAMA debtors and receivers and the acquisition by NARPS of 1,372 (2020: 1,372) properties for lease to approved housing bodies. During the year, 6 properties were sold and at the reporting date 1,366 properties are held. These figures do not include those units delivered under Part V arrangements on NAMA-funded residential developments.

8) National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL)

On 10 January 2014, NAMA established a subsidiary, NALHL (in Voluntary Liquidation). NALHL (in Voluntary Liquidation) is a wholly owned subsidiary of NAPM and was established to acquire 100% of the share capital of two Portuguese entities, RLHC and RLHC II.

The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into liquidation on 18 December 2014. The control of NALHL (in Voluntary Liquidation) is with the liquidator who will realise the assets of NALHL (in Voluntary Liquidation).

9) and 10) RLHC Resort Lazer SGPS, S.A. (RLHC), RLHC Resort Lazer II SGPS, S.A. (RLHC II)

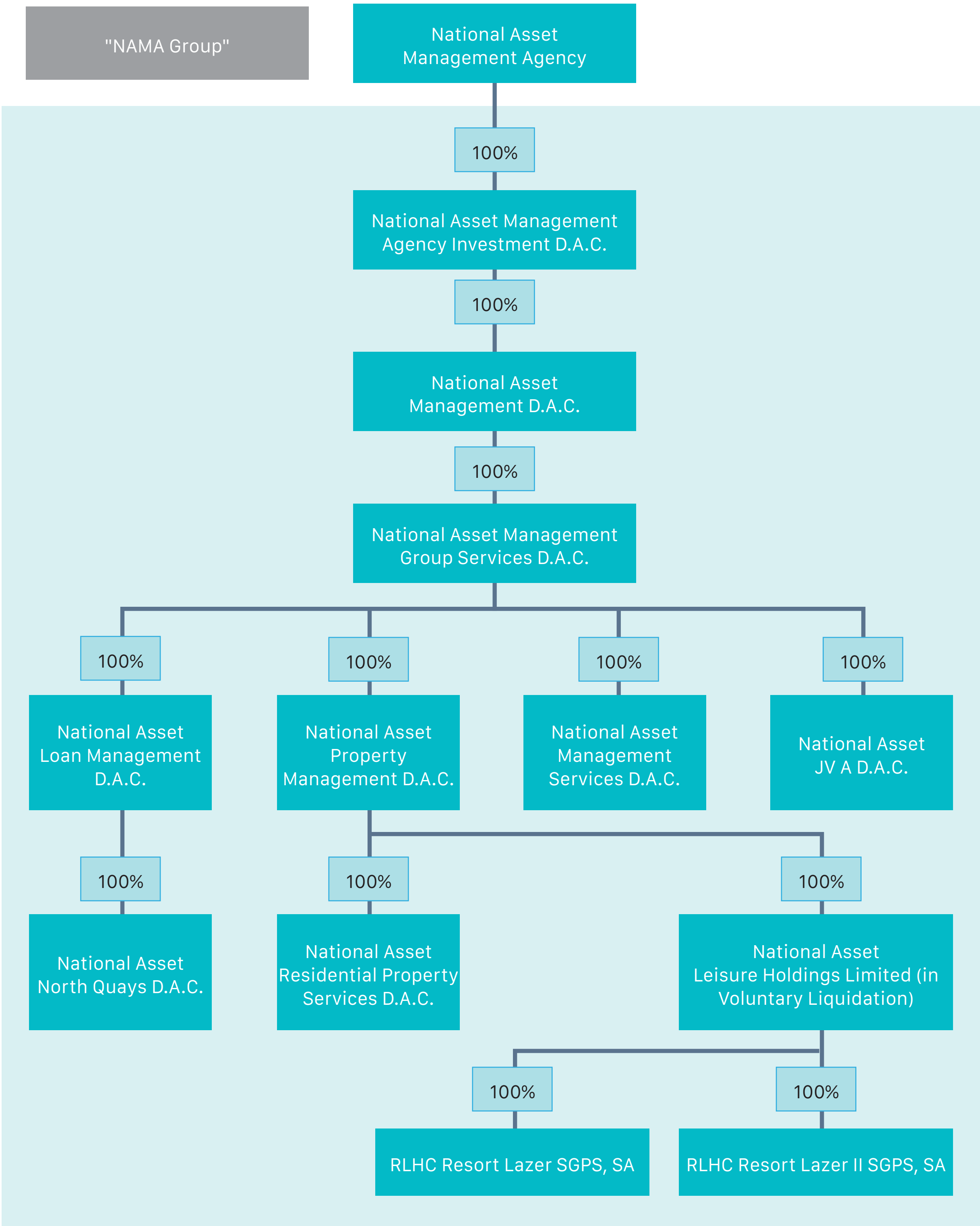
On 5 February 2014, NAMA established two new subsidiaries, RLHC and RLHC II, S.A.. RLHC and RLHC II are wholly owned subsidiaries of NALHL (in Voluntary Liquidation) and acquired 90% and 10% respectively of the share capital of a number of Portuguese entities following the legal restructure of the debt owed by these entities.

With the exception of RLHC and RLHC II, the address of the registered office of each company at the reporting date is Treasury Dock, North Wall Quay, Dublin 1. Each company is incorporated and domiciled in the Republic of Ireland, except for RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, Nº. 64, 1200-204 Lisbon, Portugal.

1. General Information (continued)

1.1 National Asset Management Agency Group (continued)

Chart 1 “NAMA Group” as at 31 December 2021



2. Significant accounting policies

2.1 Basis of preparation

Going concern

The financial statements for the financial year ended 31 December 2021 have been prepared on a going concern basis as the Board is satisfied, having considered the principal risks and uncertainties impacting the Group and Agency, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Board is twelve months from the reporting date of these annual financial statements.

At the reporting date, NAMA had equity and reserves of €1,779m (2020: €2,584m). The Group has available cash, cash equivalents and liquid assets at 31 December 2021 of €748m (2020: €1,296m) and liabilities of €28m (2020: €31m), and therefore the Board is satisfied that it can meet its current liabilities as they fall due for the foreseeable future. The Group has repaid all of the senior debt, subordinated debt, loans and borrowings from the Minister, and has no external borrowings. In 2021, the NAMA Board approved the NAMA Strategic Plan 2022-2025. The plan sets out the Agency's direction for the four-year period from 2022 to end-2025 and outlines how the organisation intends to wind down in an orderly manner, subject to market conditions and resolving all outstanding litigation.

NAMA's activities are subject to risk factors including credit, liquidity, market and operational risk. In assessing NAMA's ability to continue as a going concern the Board has reviewed these risk factors and other relevant information including assessments of the impact of Covid-19 on the Group's business. Throughout the year the Board and its Committees review key aspects of the Agency's activities and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

Accordingly, the Board believes that it is appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern over the period of assessment.

2.2 Statement of compliance and basis of measurement

The Group's consolidated and Agency financial statements for the financial year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the NAMA Act 2009.

The consolidated and Agency financial statements have been prepared under the historical cost convention, except for equity instruments, debtor loans, intergroup loan, investment properties and government bonds which have been measured at fair value where applicable.

The consolidated and Agency financial statements are presented in euro (€), which is the Group's presentational currency and the Agency's functional and presentational currency. The figures shown in the consolidated financial statements are stated in € thousands (€'000s) unless otherwise stated.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the financial year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined using the direct method, whereby major classes of gross cash receipts and gross payments are disclosed.

Cash flows from investing and financing activities are reported on a gross basis. The Group's assignment of the cash flows to operating, investing and financing categories depends on the Group's business model.

Certain prior year disclosures have been reclassified to conform to the presentation in the 2021 financial statements, with no impact on the income statement and statement of financial position for prior periods presented.

In accordance with IAS 1 Presentation of Financial Statements, assets and liabilities are presented in order of liquidity.

2.3 Changes in significant accounting policies

There have been no new standards, interpretations or changes in significant accounting policies that have had an effect on the Group's financial statements for the year ended 31 December 2021.

2.4 IFRS Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments and interpretations have been issued but are not yet effective. The Group has not early adopted them in preparing these financial statements. Of these standards that are not yet effective, none are expected to have a significant impact on the Group's financial statements in the period of initial application.

2. Significant accounting policies (continued)

2.5 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the parent entity, NAMA and its subsidiaries, with the exception of NALHL (in voluntary liquidation), RLHC and RLHC II. Refer to Note 1.1 for further detail. Consolidation of subsidiaries ceases on the date that the parent ceases to control the subsidiary. Income and expenses of a subsidiary are included in the consolidated financial statements until the date that control ceases. The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the same reporting date as that of the parent.

The Group consolidates all entities which it controls. Control is considered to be achieved when the Group

- has power over the entity;
- is exposed to, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its return.

Investments in subsidiaries are accounted for at cost less impairment in the Agency's separate financial statements. The accounting policies of the subsidiaries and the Agency are consistent with the Group's accounting policies.

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

Details of subsidiaries are provided in Note 1.1.

2.6 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 each entity operates ('the functional currency').

The consolidated financial statements are presented in €, which is the Group's presentational 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 transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. 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.

All foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

2.7 Financial assets

Recognition and initial measurement

The Group recognises financial assets in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at fair value. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss. For assets measured other than at FVTPL, transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Classification and subsequent measurement

Subsequent to initial recognition, a financial asset is classified and subsequently measured at either

(a) Amortised cost

(b) Fair value through other comprehensive income (FVOCI) or

(c) Fair value through profit or loss (FVTPL)

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group may irrevocably designate an equity instrument as FVOCI unless it is held for trading. The election to designate an investment in an equity instrument at FVOCI is made on an instrument-by-instrument basis.

Any financial asset that does not qualify for amortised cost measurement or measurement at FVOCI must be measured subsequent to initial recognition at FVTPL except if it is an investment in an equity instrument designated at FVOCI. The Group may irrevocably elect on initial recognition to designate a financial asset at FVTPL if the designation eliminates or significantly reduces an accounting mismatch that would have occurred if the financial asset had been measured at amortised cost or FVOCI.

Contractual cash flows are solely payments of principal and interest assessment

For the purpose of the solely payments of principal and interest "SPPI" assessment, principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Business model assessment

The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. The Group considers the following information when making the business model assessment:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

(a) Amortised Cost

The Group has classified and measured cash and cash equivalents, cash placed as collateral with NTMA, Exchequer Notes and other assets at amortised cost less any expected credit loss allowance.

(b) Fair value through other comprehensive income

The Group's portfolio of Irish government bonds was classified and measured at FVOCI. Fair value is determined in the manner described in Note 2.28. These bonds were acquired for liquidity purposes. They were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Changes in the fair value of financial assets at FVOCI are recognised in other comprehensive income within the other reserves. When a financial asset at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Financial assets at FVOCI must be assessed for impairment with any expected credit losses being recognised in the income statement. Interest is recognised using the effective interest method. The changes in the carrying amount of the government bonds due to the amortisation of premium on purchase are recognised in other comprehensive income.

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

Business model assessment (continued)

(c) Fair value through profit or loss

The Group has classified and measured debtor loans at FVTPL on the basis that they are held to realise associated collateral value through on going disposal of loans, property and collateral and where collecting contractual cashflows is incidental. These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in the income statement. Fair value is determined in the manner described in Note 2.28. The Agency has classified and measured the intergroup loan at FVTPL.

Other financial instruments that are classified and measured at FVTPL include derivatives and equity investments.

Derivatives

Interest income and expense arising on derivatives (other than on currency derivatives) are included in gains and losses on derivative financial instruments in the consolidated income statement. Fair value gains and losses on derivatives are included in gains and losses on derivative financial instruments in the income statement or as part of foreign exchange gains and losses where they relate to currency derivatives. Interest on currency derivatives is recognised as part of fair value gains and losses on currency derivatives.

Equity Instruments

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 measured at FVTPL. The fair value of these equity instruments is measured based on valuation techniques which consider the value of the Group's claim to the underlying assets of the entity. Changes in fair value are recognised in the income statement as part of other income/(expenses). Equity instruments are separately disclosed in the statement of financial position.

2.8 Financial liabilities

The Group recognises financial liabilities in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are measured initially at fair value. The Group classifies and subsequently measures its financial liabilities at amortised cost with the exception of derivatives classed as FVTPL, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest method. Where financial liabilities are classified as FVTPL, gains and losses arising from subsequent changes in fair value are recognised directly in the income statement. Further information on derivative liabilities is included in accounting policy 2.19.

2.9 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.

2.10 Fair value gains/(losses) on debtor loans measured at fair value through profit or loss

Fair value gains/(losses) on debtor loans measured at FVTPL includes all gains and losses from changes in the fair value of debtor loans measured at FVTPL. The Group has elected to present the full fair value movement on this line, including the impact of net cash collections in the period.

2.11 Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments other than debtor loans measured at FVTPL are recognised as interest income and interest expense in the income statement using the effective interest rate ("EIR") method.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

2. Significant accounting policies (continued)

2.11 Interest income and interest expense (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset except for impaired financial assets or to the amortised cost of the financial liability. For financial assets that have become impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.12 Fee income

Fee income is income associated with debtor connections that is not considered as a reduction in the debt obligations of the debtor. Fee income is recognised in the income statement.

2.13 Profit/(loss) on the disposal and refinancing of loans

Profits and losses on the disposal and refinancing of loans are calculated as the difference between the carrying value of the loans and the contractual sales price at the date of sale, less related loan sale costs. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow. Profits and losses on the disposal and refinancing of loans are recognised in the income statement when the transaction occurs. In a small number of instances, when an individual loan account is sold, the profit/loss on disposal is only recognised when the entire connection/loan pack related to that account is sold.

2.14 Profit/(loss) on disposal of property assets

Profits and losses on the disposal of property are calculated as the difference between the carrying value of the property assets and the contractual sales price at the contractual date of sale less related transaction costs. The contractual sales price includes any deferred consideration where the Group has the contractual right to receive any deferred cash flow. Profits and losses on the disposal of property are recognised in the income statement when the transaction occurs.

2.15 Profit/(loss) on derecognition of subsidiaries

Profits and losses on the derecognition of subsidiaries are calculated as the difference between the carrying amount of the assets and liabilities of the subsidiary derecognised at the date control is lost and the consideration received from the transaction, event or circumstance that resulted in the loss of control. Profits and losses on the disposal of subsidiaries are recognised in the income statement on the date that control is lost.

2.16 Impairment of financial assets

The Group assesses, on a regular basis, the impairment of financial assets measured at amortised cost and at FVOCI on an expected credit loss (ECL) basis. The measurement of ECL is based on a three-stage approach:

- Stage 1: where financial instruments have not had a significant increase in credit risk since initial recognition, a provision for 12-month ECL is recognised, being the ECL that results from default events that are possible within 12 months of the reporting date;
- Stage 2: where financial instruments have had a significant increase in credit risk since initial recognition but does not have objective evidence of impairment, a lifetime ECL is recognised, being the ECL that results from all possible default events possible over the lifetime of the financial asset;
- Stage 3: where financial assets show objective evidence of impairment, a lifetime ECL is recognised.

There are a variety of approaches that could be used to assess whether the credit risk on a financial instrument has increased significantly since initial recognition. In some cases, detailed quantitative information about the probability of default of a financial instrument or formal credit rating will be available which is used to compare changes in credit risk. The Group monitors financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition on a regular basis.

The measurement of the loss allowance is based on the present value of the applicable financial assets expected cash flows using the financial asset's effective interest rate.

The general approach for recognising and measuring a loss allowance is the same for financial instruments measured at amortised cost and those instruments that are measured at FVOCI. However, unlike amortised cost, the loss allowance on instruments at FVOCI is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

2. Significant accounting policies (continued)

2.17 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets is 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 the income statement if the carrying amount exceeds its recoverable amount.

2.18 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. 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. Cash equivalents include Short-term Exchequer Notes held through the NTMA where time to maturity on the date of acquisition is three months or less.

2.19 Derivative financial instruments

Derivatives, such as 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 was to hedge its foreign currency exposure through the use of currency derivatives.

All derivatives are accounted for 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 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. Gains and losses on currency swaps are recognised in the income statement as part of foreign exchange gains and losses.

2.20 Inventories - trading properties

Trading properties include property assets which are held for resale in accordance with IAS 2 Inventories. They are recognised initially on the statement of financial position at the point at which the purchase contract has been signed with the vendor. Subsequent to initial recognition, trading properties 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 ('NRV') represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale. Revisions to the carrying value of trading properties are recognised in the income statement.

Profits and losses on the disposal of trading properties are recognised in the income statement when the transaction occurs. Further details are included in Note 2.14.

2.21 Investment properties

Investment properties are initially measured at cost at the point at which the contract has been signed and subsequently at fair value with any change recognised in the income statement. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognised in the income statement when the transaction occurs. Rental income from investment properties is recognised in the income statement.

2.22 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.

2. Significant accounting policies (continued)

2.22 Taxation (continued)

(a) Current income tax

Current income tax is the expected tax payable on the taxable income for the financial 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.

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 FVOCI 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 deferred tax relating to unutilised tax losses.

2.23 Provisions, contingent assets and liabilities

Provisions

Provisions 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 amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Contingent liabilities

A contingent liability is a possible obligation depending on whether some uncertain future events occurs, or a present obligation but payment is not probable, or the amount cannot be measured reliably. 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 financial statements.

2.24 Share capital

a) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the year in which they are approved.

b) Coupon on other equity

Coupon payments on subordinated bonds that were classified as equity are reflected directly in equity when they are declared.

2. Significant accounting policies (continued)

2.25 Cash placed as collateral with the NTMA

Under a collateral posting agreement (CPA) agreed between the NTMA and NAMA, the Group is required to post cash collateral with the NTMA if derivatives are held by the Group in order to reduce the NTMA's exposure. The amount of collateral required depends on an assessment of the credit risk by the NTMA.

Any cash placed as collateral is recognised in the statement of financial position. Any interest payable or receivable arising on the amount placed as collateral is recorded in interest expense or interest income respectively.

2.26 Exchequer Notes

Exchequer Notes are liquid, interest bearing notes held through the NTMA where time to maturity on date of acquisition is greater than three months. Exchequer Notes are recognised in the statement of financial position. Any interest payable or receivable on Exchequer Notes is recorded in interest expense or interest income respectively.

2.27 Leases

As lessee

At inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If this arises, the Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease. The right of use asset is assessed for impairment if there are indicators of impairment. If it is assessed that the right of use asset is impaired the carrying value is reduced. The right of use asset may be adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest rate method. Lease interest expense is recognised on the lease liability. The lease liability is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

As lessor

Properties acquired by NARPS for the purposes of social housing are recognised as investment properties and are accounted for in line with IAS 40.

Rental income arising from operating leases is accounted for on a straight line basis over the lease term.

2.28 Determination of fair value

The Group measures fair values in accordance with IFRS 13 which defines fair value as 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 market, or in its absence, the most advantageous market to which the Group has access at that date, regardless of whether that price is directly observable or estimated using another valuation technique.

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).

Subsequent to initial recognition, fair values are determined using valuation techniques. These valuation techniques seek to maximise the use of publicly available relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that management believe market participants would take into account in pricing a transaction. Valuation techniques may 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.

2. Significant accounting policies (continued)

2.28 Determination of fair value (continued)

Valuation techniques

In the case of debtor loans measured at FVTPL, the fair value of these instruments is determined with input from management and using internally generated valuation models based on selected comparable market data points. The majority of the significant inputs into these models are not readily observable in the market and the inputs are therefore derived from market prices for similar assets or estimated based on certain assumptions. The determination of key inputs used such as the expected future cash flows on the financial asset, stratification of portfolio and the appropriate discount rates applicable require management judgement and estimation.

The valuation methodology for debtor loans measured at FVTPL is to estimate the expected cash flows to be generated by the financial asset and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- determining suitable stratifications for the portfolio to segment assets with similar risk characteristics;
- the likelihood and expected timing of future cash flows; and
- selecting an appropriate discount rate for the financial asset or group of financial assets, based on management's assessment of the characteristics of the collateral/cashflow and relevant market information.

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.

Adjustments to the calculation of the present value of future cash flows are based on factors that management believe market participants would take into account in pricing the financial instrument.

Certain other financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant inputs that are not observable in the market. 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. 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.

2.29 Administration expenses

Administration expenses are recognised on an accruals basis.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities.

Management believes that the underlying assumptions used are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described as follows:

3.1 Fair value assessment of debtor loans at fair value through profit or loss

The fair value of debtor loans at fair value through profit or loss ('FVTPL') is assessed at the end of each reporting period. Key inputs to the assessment of fair value include cash flow forecasts, discount rates, cashflow timing assumptions and management judgement. The projection of cash flows involves the exercise of considerable judgement and estimation by management involving assumptions in respect of factors such as local economic conditions, the performance of the debtor, the value of the underlying property collateral and the latest agreed strategy for that debtor. The actual cash flows, and their timing, may differ from the projected cash flows for the purpose of estimating fair value for each debtor connection. Cash flow projections are generally based on the most recently agreed strategy for each debtor which is subject to change.

The assumptions used for projecting both the amount and timing of future cash flows for individual debtors, stratification of the collateral asset portfolio and appropriate discount rates for utilisation in discounted cash flow calculations are reviewed periodically by management. NAMA may apply management judgement to computed fair values or the inputs to the fair value computation where it believes this more accurately reflects the fair value of the asset.

For the purpose of recognition, debtor loans measured at FVTPL are grouped together on a connection level. A connection is a number of loans which have been grouped together which have been issued to the same borrower or group of economically connected borrowers.

Fair value is estimated for each connection by calculating the present value of the cash flow forecast to be generated by each connection. The cash flows represent NAMA's best estimate of expected future cash flows for each connection and include the disposal of property collateral and other non-disposal related cash flows (such as rental income).

The Group's policy on fair value measurement of financial assets is set out in accounting policy 2.28.

The significant estimates in relation to the fair value of the Group's debtor loans include the timing of cashflows, discount factors and value of the realisation of asset values as well as related outflows. The carrying value of the debtor loans measured at FVTPL as at 31 December 2021 is €715m (2020: €850m) with the change in fair value during the year being €181m (2020: €149m).

3. Critical accounting estimates and judgements (continued)

3.1 Fair value assessment of debtor loans at fair value through profit or loss (continued)

The following table shows an estimate of the impact of changes in collateral values on fair value of debtor loans.

Sector	+/-1% €m	+/-3% €m	+/-5% €m
Land and Development	+/- 4	+/-13	+/- 22
Investment Property[5]	+/- 3	+/-8	+/- 14
Total	**+/- 7**	**+/-21**	**+/- 36**

The following table shows an estimate of the impact of changes in discount factors on fair value of debtor loans.

Sector	- 5% €m	- 3% €m	- 1% €m	+1% €m	+3% €m	+5% €m
Land and Development	37	21	7	(7)	(20)	(32)
Investment Property[5]	12	7	2	(2)	(7)	(11)
Total	**49**	**28**	**9**	**(9)**	**(27)**	**(43)**

The following table shows an estimate of the impact of changes in timing of cash flows on fair value of debtor loans.

Sector	+6 months €m	+3 months €m	- 3 months €m
Land and Development	(21)	(10)	11
Investment Property[5]	(14)	(7)	7
Total	**(35)**	**(17)**	**18**

3.2 Other management judgement and estimates

In the preparation of the financial statements, management has made judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant judgements made by the Group, other than those relating to the fair value of debtor loans, in the preparation of the financial statements are:

- investment properties, and
- investments in equity instruments

Investment properties

The fair value of investment properties are determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the categories of properties being valued. Outputs from valuers can be subject to management judgement. The valuer utilised the investment method of valuation using the discounted cash flow technique. The assumptions involved in this technique include:

- determining the likelihood of purchase options being exercised;
- selecting an appropriate exit yield rate based on factors including location and residential unit type; and
- determining expected rent cash flows based on expected growth rates for CPI sub-indices and gross to net percentages for operation costs.

The carrying value of the investment properties as at 31 December 2021 is €314m (2020: €292m) with the change in fair value recognised in the income statement being €22m (2020: €5m).

5 *Investment property relates to Deleveraging Residential, Deleveraging Commercial and Deleveraging Non Real Estate ('NRE').*

3. Critical accounting estimates and judgements (continued)

3.2 Other management judgement and estimates (continued)

Investments in equity instruments

In determining the appropriate accounting treatment of investments in equity instruments, the existence of significant influence is considered on a case-by-case basis, using the following indicators:

- representation on the board of directors or equivalent governing body;
- participation in the policy-making process;
- material transactions between the two parties;
- interchange of managerial personnel;
- provision of essential technical information; and
- potential voting rights.

At the reporting date, there were no investments in equity instruments in which control or significant influence by the Group existed.

4. Net gains on debtor loans/intergroup loan measured at FVTPL

Group	Note	2021 €'000	2020 €'000
Fair value movement on debtor loans measured at FVTPL	19	180,983	149,005

The Group assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing that asset. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.10. Debtor loans measured at FVTPL include debtor loans acquired from the participating institutions, shareholder loans and a guaranteed income stream.

See Note 19 for further details on debtor loans measured at FVTPL held by the Group at the reporting date.

Agency	Note	2021 €'000	2020 €'000
Interest income on intergroup loan measured at FVTPL	19	34,280	-

The Agency assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Agency's business model for managing that asset. The intergroup loan to NAM is classified as 'Intergroup loan measured at fair value through profit or loss' under IFRS 9. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.10. See Note 19 for further details on intergroup loans measured at FVTPL held by the Agency at the reporting date.

NAMA Group subsidiaries generated profits, which are in the main payable to NAM as interest income under profit participating loan agreements in place. Subsequently, after utilisation of any available losses and the deduction of interest expenses on its subordinated debt securities, if NAM generates profits they are payable to NAMA the Agency, as interest income.

5. Net gains on investment properties

Group	Note	2021 €'000	2020 €'000
Fair value movement on investment properties	21	22,468	5,171

Investment properties are measured at fair value. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.21. See Note 21 for further details on investment properties held by the Group at the reporting date.

6. Interest income

Group	2021 €'000	2020 €'000
Interest on cash and cash equivalents	**-**	**4**

Interest on cash and cash equivalents comprises interest earned on cash and short-term deposits held during the financial year.

Agency	2021 €'000	2020 €'000
Negative interest income on intergroup loans	**265**	**181**

The negative interest income of €0.27m (2020: €0.18m) on the intergroup loan is due to negative interest rates on the intergroup loan from NALM. Refer to Note 32 for further detail.

7. Interest and similar expense

Group	2021 €'000	2020 €'000
Interest on government bonds	–	71
Negative interest expense on cash and cash equivalents	547	7,478
Lease interest expense	22	68
Total interest and similar expense	**569**	**7,617**

During 2021, the Group incurred interest expense of €0.5m (2020: €7.5m) on cash and cash equivalents due to negative interest rates.

The Group has recognised a lease interest expense on the lease liabilities of €22k (2020: €68k).

Interest on government bonds comprised interest on short term government bonds held for liquidity purposes, recognised using the EIR method. The government bonds held by NAMA fully matured during 2020.

Agency	2021 €'000	2020 €'000
Negative interest expense on cash and cash equivalents	1	1
Lease interest expense	–	1
Total interest and similar expense	**1**	**2**

Due to negative interest rates, there is negative interest expense on cash and cash equivalents of €1k (2020: €1k).

The Agency recognised a lease interest expense on the lease liabilities of €1k in 2020.

8. Fee income

Group	2021 €'000	2020 €'000
Fee income from debtor loans	**63**	**8,606**

Fee income from debtor loans is income associated with debtor connections that is not considered as a reduction in the debt obligations of the debtor. Fee income can include arrangement fees, restructuring fees, exit fees, performance fees and transaction fees from loan sales/refinances. The level of fee income is based on the nature of transactions during the year.

9. Other income/(expense)

Group	2021 €'000	2020 €'000
Distributions from equity instruments (a)	810	788
Fair value gain/(loss) on equity instruments (b)	6,155	(9,797)
Lease rental income (c)	13,783	12,783
Revaluation of trading properties (d)	-	(85)
Other expenses (e)	3,387	(6,218)
Other expenses PSWT (f)	(2,342)	-
Other income (g)	5,865	-
Total other income/(expense)	**27,658**	**(2,529)**

(a) The Group received dividends totalling €0.8m (2020: €0.8m) from a non-consolidating subsidiary and on its equity instruments during the reporting period.

(b) The fair value of NAMA's equity instruments is based on valuation techniques which consider the value of the Group's claim to the underlying assets of the entity. Changes in fair value of €7.7m (2020: (€9.8m)) are recognised in the income statement in accordance with accounting policy 2.7. Fair value gain on equity instruments also includes a transaction cost of €1.5m cost on the exit of certain entities from the NAMA Group. See Note 26 for further details on equity instruments held by the Group at the reporting date.

(c) Lease rental income is earned from the lease of residential properties to approved housing bodies and local authorities for social housing purposes. It is accounted for on a straight line basis over the lease term in accordance with accounting policy 2.27.

(d) In accordance with accounting policy 2.20, trading properties are measured at the lower of cost and net realisable value. During the year, the Group did not recognise a revaluation gain/(loss) (2020: loss of €0.1m) on these assets. At the reporting date, the trading property is carried at cost which is lower than NRV. See Note 20 for further details on trading property assets.

(e) Other expenses include €1.2m (2020: €1.1m) for the discharge of receivership property liabilities and €0.3m (2020: €0.3m) for contracted fees in the financial year following the reaching of a designated rate of return on equity investments. These expenses were reduced by a €4.9m release of a provision for expected costs associated with the calculation of interest on certain debtor loans (2020: provision of €5.3m).

(f) Other expenses PSWT of €2.3m (2020: €Nil) is a payment to the Revenue Commissioners for an unprompted voluntary disclosure with regard to the treatment of Professional Services Withholding Tax on payments to professional service providers in the period 2013-2016. These payments to professional service providers, on behalf of NAMA debtors via debtor loan draw downs, were funded by NAMA and discharged out of a NAMA bank account which was operated by NAMA's appointed primary servicer.

(g) Receipt of claims from the IBRC special liquidator of €5.7m in 2021 (2020: €Nil). Also recognised in other income is the receipt of €0.1m that was previously held in escrow.

Agency	Note	2021 €'000	2020 €'000
Costs reimbursable from NALM	*13*	29,463	31,997
Total other income		**29,463**	**31,997**

10. Net profit on disposal and refinancing of loans

Group	2021 €'000	2020 €'000
Net profit on disposal and refinancing of loans	**1,845**	**86,840**

During the financial year, the Group disposed of a number of debtor loans to third parties and some other loans were refinanced. Profit or loss on disposal and refinancing of loans is measured as the difference between the proceeds received, including any deferred consideration, less related selling expenses and the net carrying value of loans. The Group realised a net profit of €1.8m (2020: €86.8m) on the disposal and refinancing of loans in the financial year. The Group earned gross profit of €1.8m (see Note 19) (2020: €86.9m), which when combined with disposal costs of €Nil (2020: €0.02m), resulted in the net profit on disposal of loans of €1.8m (2020: €86.8m).

There were no disposals of loans by the Agency.

11. Net profit on disposal of property assets

Group	2021 €'000	2020 €'000
Gross proceeds from disposal of property assets	5,944	43,931
Related cost of property assets sold	(2,348)	(9,451)
Total net profit on disposal of property assets	**3,596**	**34,480**

Profit or loss on disposal of properties is measured as the difference between proceeds of sale received and the carrying value of those property assets less related selling expenses. The Group realised a net profit of €3.6m (2020: €34.5m) on the disposal of trading property assets in the financial year. There were no disposals of properties by the Agency as the Agency does not hold property assets.

12. Profit on derecognition of subsidiaries

Group	2021 €'000	2020 €'000
Profit on derecognition of subsidiaries	26,217	-

PV, PB and PWH ceased to be NAMA Group entities on 4 June 2021 on completion of the Pembroke Transaction. Profit on the derecognition of these subsidiaries is calculated as the difference between the consideration received and the net carrying amount of the assets and liabilities of each subsidiary derecognised at the date when NAMA ceases to control the subsidiaries. The Group realised a profit of €26.2m on the derecognition of these subsidiaries in the financial year.

13. Administration expenses

Group	Note	2021 €'000	2020 €'000
Costs reimbursable to the NTMA	13.1	29,463	31,996
Primary servicer fees	13.2	6,241	6,942
Master servicer fees	13.3	873	1,475
Portfolio management fees	13.4	2,019	3,348
Legal fees	13.5	2,159	8,384
Finance, communication and technology costs	13.6	4,945	4,987
Rent and occupancy costs	13.7	3,744	4,174
Internal audit fees	13.8	570	614
External audit remuneration	13.9	583	832
Board and Committee fees and expenses	13.10	242	276
Total administration expenses		**50,839**	**63,028**

Agency	Note	2021 €'000	2020 €'000
Administration expenses			
Costs reimbursable to the NTMA	13.1	29,463	31,996
Board and Committee fees and expenses	13.10	242	276
Total administration expenses		**29,705**	**32,272**

Costs reimbursable to the NTMA are recognised as an expense to NAMA the Agency. All costs, other than Board and Committee fees and expenses incurred by NAMA are reimbursed to it by NALM. Total costs of €29.5m (2020: €32.0m) were reimbursed by NALM to NAMA the Agency.

Agency	Note	2021 €'000	2020 €'000
Costs reimbursable by NALM			
Costs reimbursable to the NTMA	13.1	29,463	31,996
Rent and occupancy costs		–	1
Total costs reimbursable by NALM	9	**29,463**	**31,997**

13.1 Costs reimbursable to the NTMA

Under Section 42 (4) of the Act, NAMA is required to reimburse the NTMA for the costs incurred by the NTMA in consequence of it assigning staff and providing services to NAMA. The costs included above may differ to the amounts disclosed in the NTMA financial statements due to the timing of the preparation of both sets of financial statements.

Costs comprise staff costs of €23.6m (2020: €24.6m) and overheads and shared service costs of €5.9m (2020: €7.4m). The NTMA incurs direct costs for NAMA such as salaries, IT, office and business services.

The NTMA also provides shared services to NAMA including IT, HR and Finance. The allocated salary cost of the NTMA employees (non NAMA Officers) providing these shared services to NAMA during 2021 was €2.6m (2020: €3.2m).

NAMA has agreed to reimburse the NTMA for its proportionate share of the external overhead costs incurred by the NTMA on a centralised basis where NAMA benefits directly or indirectly from the provision of the related goods or services. These costs include central IT costs, office and business services, together with depreciation in respect of the use of NTMA fixed assets and other central overheads.

The costs incurred by the NTMA are charged to NAMA (the Agency) and the Agency is reimbursed by NALM.

13. Administration expenses (continued)

13.1 Costs reimbursable to the NTMA (continued)

Staff costs

The Group has no employees. All personnel are employed by the NTMA and the remuneration cost of staff who are engaged full time in the NAMA business are recharged to the Group by the NTMA. The total remuneration cost including pension costs for the reporting period was €23.6m (2020: €24.6m). The following remuneration disclosures are required under The Code of Practice for the Governance of State Bodies (2016).

Aggregate Employee Benefits	2021 €m	2020 €m
Basic Pay	15.5	18.0
Performance related pay	0.4	-
Allowances	0.1	0.1
Staff short-term benefits	16.0	18.1
Termination benefits	3.8	2.0
Pay related social insurance	1.6	1.9
Pension contributions	2.2	2.6
Total aggregate employee benefits	**23.6**	**24.6**

The number of employees of the NTMA directly engaged in the Group ('NAMA Officers') at the reporting date was 145 (2020: 174). 33 employees are to leave NAMA as part of the 2021 Voluntary Redundancy Scheme ("VRS") (2020: 20).

Performance related payments of €0.4m were approved for 36 staff members and relate to the period from 1 January 2021 to 31 December 2021.

Costs of €3.8m (2020: €2.0m) relating to termination benefits (including VRS, garden leave, PRSI and pension) have been recognised in 2021, of which €2.2m (2020: €1.0m) is attributable to statutory and other redundancy payments, €0.6m (2020: €0.4m) relates to the "retention scheme"[6], and €1.0m (2020: €0.6m) is for garden leave. All termination costs are gross of PRSI and pension. Garden leave does not represent an incremental cost for NAMA but instead forms part of the overall NAMA salary cost that would have been incurred regardless of the decision to place the relevant staff on garden leave. Under the VRS, 33 staff were entitled to garden leave of three months (2020: 20). In addition to those accepted for the VRS, 2 staff members (2020: 1) were placed on garden leave during 2021. The period of garden leave for the 2 staff members was an average of 1 month (2020: average period 3 months). The decision on whether to place staff members on garden leave is made on a case-by-case basis and included consideration, *inter alia*, of the person's role within NAMA and the person's new employer. Further redundancies will take place on a phased basis each year over the remaining life of NAMA.

NAMA Officers are members of the NTMA Staff Pension Scheme and the NTMA contributes to the scheme on behalf of these employees. The cost of these pension contributions is recharged to NAMA. The cost of the pension contributions made by the Group is disclosed in Note 35.

Staff costs include the Chief Executive Officer's salary as detailed below:

Brendan McDonagh (Chief Executive Officer)	2021 €	2020 €
Salary	430,000	430,000
Taxable benefits	20,463	19,246
	450,463	**449,246**

The remuneration of the Chief Executive Officer consists of basic salary, taxable benefits and a discretionary performance related payment of up to 60 per cent of annual salary. Taxable benefits include benefits/allowances earned in the reporting period, and can include health insurance, company car and professional subscriptions. The Chief Executive Officer was entitled to be considered to be awarded performance payments for 2020 and 2021, but in view of the economic challenges facing the country, waived his entitlement to be considered for these payments.

6 *The retention scheme only applies in circumstances where staff members are made redundant, have met all required standards and have remained with NAMA for the period required to fulfil the Agency's statutory mandate.*

13. Administration expenses (continued)

13.1 Costs reimbursable to the NTMA (continued)

Staff costs (continued)

The Chief Executive Officer's pension entitlements do not extend beyond the standard terms of the model public sector superannuation scheme. The remuneration of the Chief Executive Officer is determined by the NTMA CEO after consultation with the NAMA Board, who in giving advice on remuneration, are informed by the views of the NAMA Remuneration Committee, having regard to the obligations of the Board to implement Government policy in relation to such remuneration.

Key management personnel

Key management personnel are defined under the Code of Practice for the Governance of State Bodies 2016 (the 'Code'), as management who report directly to the Chief Executive Officer. The Chief Executive Officer had 4 (2020: 5) direct management personnel reports during 2021 and the total compensation for them in 2021 was €0.9m (2020: €1.0m).

Total employee benefits

Total employee benefits, within pay bands of €25,000 from €50,000 upwards is set out in the following table as at 31 December 2021 and 2020.

Pay band	No. of employees 2021	No. of employees 2020
up to €50,000	12	21
€50,001 - €75,000	22	25
€75,001 - €100,000	41	44
€100,001 - €125,000	32	44
€125,001 - €150,000	22	28
€150,001 - €175,000	8	5
€175,001 - €200,000	2	4
€200,001 - €225,000	4	1
€225,001 - €250,000	-	-
€250,001 - €275,000	-	1
€275,001 - €300,000	1	-
€300,001 - €325,000	-	-
€325,001 - €350,000	-	-
€350,001 - €375,000	-	-
€375,001 - €400,000	-	-
€400,001 - €425,000	-	-
€425,001 - €450,000	-	1
€450,001 - €475,000	1	-
Total	**145**	**174**

Total remuneration includes base salary, performance related pay and any other taxable benefits paid to employees. It does not include employer pension contributions. The Additional Superannuation Contribution (ASC) is applied to NTMA employees.

13. Administration expenses (continued)

13.1 Costs reimbursable to the NTMA (continued)

Hospitality expenditure

As required to be disclosed under the Code, hospitality expenditure incurred during the year is set out below:

	2021 €	2020 €
Staff Wellbeing	3,665	4,895
Sports and Social Contributions	2,118	278
Staff events	–	1,895
	5,783	**7,068**

In 2021 and 2020, the majority of the staff wellbeing costs related to classes and lectures. These are organised by the NTMA as employer and NAMA officers are eligible to receive these benefits.

The NTMA has established a Sports and Social Committee for all staff, who can join on a voluntary basis and pay membership fees. NAMA has agreed to contribute to the costs of the activities organised by the Committee where NAMA staff benefit from the activities. NAMA incurred €2.1k in 2021 (2020: €0.3k) in relation to sports and social activities organised by the Committee.

Staff event costs include NAMA's share of staff events organised by the NTMA which NAMA officers are invited to attend.

Travel costs

The total travel costs incurred during 2021 was €5.3k (2020: €13.3k), of which €Nil (2020: €0.2k) related to international travel and €5.3k (2020: €13.1k) related to domestic travel.

13.2 Primary Servicer fees

Primary Servicer fees comprise fees paid to AIB and BCM Global ASI Limited (formerly Link Asset Services) who administer the loans that originated within each Participating Institution as well as the management of charged current accounts and mortgage accounts. The Primary Servicer fees are based on the relevant service agreement with the service provider (BCM Global ASI Limited) and cost recovery up to a maximum of 10 basis points of the par debt loan balances administered (for AIB).

The amounts payable to related parties (Participating Institutions) for Primary Servicer fees are set out in Note 35 related party disclosures. Total Primary servicer fees were €6.2m during the financial year (2020: €6.9m).

13.3 Master servicer fees

Master servicer fees comprise fees paid to the master servicer, BCM Global ASI Limited(formerly Link Asset Services). BCM Global ASI Limited provides loan administration and data management services to the Group. Master servicer fees were €0.9m in the financial year (2020: €1.5m).

13.4 Portfolio management fees

Portfolio management fees relate to fees incurred in the on-going management and support of debtors. Costs include property valuation, asset search and asset registry fees, and insurance costs.

13.5 Legal fees

Legal fees comprise fees paid to professional service firms with respect to legal advice in the on-going management and support of debtors. The decrease in legal fees is driven by reduced legal activity and reimbursement of certain legal fees. Included in the legal fees of €2.2m (2020: €8.4m) are total settlement costs of €306k (2020: €395k).

13.6 Finance, communication and technology costs

Finance, communication and technology costs comprise costs incurred during the year in relation to IT, tax advice and other administration costs.

13. Administration expenses (continued)

13.7 Rent and occupancy costs

Rent and occupancy costs comprise costs incurred during the financial year in relation to the premises occupied by the Group.

With regard to Treasury Dock the Group has a Lease with the NTMA. The agreement is effective from May 2018 for an initial lease term of 4 years. The leases for certain floors in Treasury Dock are being extended to the end of December 2025. The charge includes a depreciation charge on the right of use assets of €2.3m (2020: €2.8m) and shared facilities costs of €0.7m (2020: €1m).

Further information on leases is included in Note 28 Other assets, Note 29 Other liabilities and Note 31 Commitments and contingent liabilities.

The remaining balance relates to occupancy costs.

13.8 Internal audit fees

The Group have engaged the services of an external professional services firm to perform the role of Internal Auditor for the Group. Fees incurred relate to the audit of business processes by the Internal Auditor and the reporting on the results of internal audits performed.

13.9 External audit remuneration

Group	2021 €'000	2020 €'000
Audit of NAMA Group and subsidiaries by the OC&AG	300	450
Audit of NAMAI DAC and subsidiaries by the Statutory Auditor	283	382
Total external audit remuneration	**583**	**832**

The Comptroller and Auditor General (as external auditor) does not provide other assurance, tax advisory or other non-audit services to NAMA.

The Comptroller and Auditor General is the auditor of the NAMA Group in accordance with Section 57 of the NAMA Act.

Pursuant to the requirements of the Irish Companies Act 2014, NAMA is required to separately appoint a statutory auditor in respect of companies within the NAMA Group which are deemed to be trading for gain. As NAMAI and its subsidiaries operate to return dividends to its shareholder it is deemed to be trading for gain. As such, Mazars, Chartered Accountants and Statutory Audit Firm, were appointed as statutory auditors of NAMAI Group's subsidiaries in June 2017. The audit fee is €230k (excluding VAT) for 2021 (2020: €315k).

During the year Mazars provided insolvency services whereby they were appointed by NAMA to act on behalf of NAMA debtors with a duty of care to NAMA as prescribed in law. Fees incurred during the year of €0.2m (2020: €0.2m) are ultimately borne by the respective debtors of NAMA and do not represent an operational expense of NAMA and accordingly are not reflected in the income statement of the Group.

13. Administration expenses (continued)

13.10 Board and Committee fees and expenses

NAMA Board and Committee fees are set out in the following table and have been approved by the Minister for Finance.

	2021 €	2020 €
Aidan Williams (Chairman)	45,000	100,000
Oliver Ellingham	30,000	38,000
Mari Hurley	35,000	43,000
Eileen Maher	30,000	38,000
Davina Saint (term commenced 18 January 2021)	28,603	-
Charlotte Sheridan (term commenced 22 December 2020)	30,000	1,038
Michael Wall	30,000	38,000
Board fees	**228,603**	**258,038**
Board expenses	-	1,282
Total Board fees and expenses	**228,603**	**259,320**
Planning Advisory Committee		
Alice Charles (term completed 26 October 2020)	-	4,000
Charlotte Sheridan	-	5,000
Angela Tunney (term commenced 13 May 2021)	3,000	-
Audit Committee		
Liam Gallagher (term commenced 9 January 2020)	10,000	8,000
Committee fees	**13,000**	**17,000**
Total Board and Committee fees and expenses	**241,603**	**276,320**

NAMA Board fees are set by the Minister for Finance. With effect from 1 January 2021, there has been a reduction in fees payable to Board Members. Conor O'Kelly (NTMA Chief Executive Officer) and Brendan McDonagh (NAMA Chief Executive Officer), as ex-officio members, received no remuneration as members of the NAMA Board. Expenses payable in respect of Board and Committee members are set out below.

	2021 €	2020 €
Oliver Ellingham	-	773
Other	-	509
	-	**1,282**

13. Administration expenses (continued)

13.11 Consultancy fees

Consultancy costs, as defined in the Code, include the cost of external advice to the business and exclude outsourced 'business-as-usual' functions. Included in the relevant headings in administration expenses are the following consultancy costs paid during the year:

Group	2021 €'000	2020 €'000
Legal fees	338	1,659
Finance, communication and technology costs	51	15
Total consultancy fees	**389**	**1,674**

Included within the NTMA recharge is a cost of €0.1m (2020: €0.1m) for consulting fees incurred by the NTMA and recharged to NAMA.

14. Foreign exchange gains/(losses)

Group	*Note*	2021 €'000	2020 €'000
Foreign exchange gains/(losses) on debtor loans measured at FVTPL (a)	*19*	194	(715)
Unrealised foreign exchange (losses)/gains on derivative financial instruments (b)		(228)	20
Realised foreign exchange gains on currency derivative financial instruments (b)		-	736
Foreign exchange gains/(losses) on cash (c)		158	(119)
Other foreign exchange losses		(2)	(21)
Total foreign exchange gains/(losses)		**122**	**(99)**

(a) Foreign exchange translation gains and losses on debtor loans arise on the revaluation of foreign currency denominated loans. Foreign currency translation amounts are recognised in accordance with accounting policy 2.6.

(b) Following the acquisition of assets from Participating Institutions, the Group entered into currency derivatives to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated debtor loans acquired. The gain or loss on derivative financial instruments comprises realised and unrealised gains and losses. Realised and unrealised gains are recognised in accordance with accounting policy 2.19. Currency derivatives are explained in more detail in Note 18.

(c) Foreign exchange gains on cash arise as a result of the fluctuation in foreign exchange rates on the various non-euro cash balances.

15. Tax charge

Group	Note	2021 €'000	2020 €'000
Current tax			
Irish corporation tax		(18,866)	(25,613)
Deferred tax			
On fair value gains on equity instruments and other adjustments		(1,663)	2,541
On IFRS 9 transition adjustments		4,237	4,237
Total deferred tax recognised in income statement	**27**	**2,574**	**6,778**
Total tax charge		**(16,292)**	**(18,835)**

The reconciliation of tax on profit at the relevant Irish corporation tax rate to the Group's actual tax charge for the financial year is as follows:

Reconciliation of tax on profits

Group	2021 €'000	2020 €'000
Profit before tax	211,544	210,833
Tax calculated at a tax rate of 25%	52,886	52,708
Effect of:		
Deductible expenditure	(21,789)	(13,705)
Tax losses (utilised)/not utilised	(4,128)	2,784
Movement in deferred tax liability	(2,574)	(6,778)
Prior year adjustments	846	(525)
Withholding tax credit	(41)	(221)
Transitional adjustments	4,189	4,189
Income taxed at higher rate	44	-
Income taxed at lower rate	(13,141)	(19,617)
Taxation charge	**16,292**	**18,835**

The current Irish corporation tax charge of €19m (2020: €26m) arises on the profits earned by NAMAI and its subsidiaries. The Agency is exempt from Irish income tax, corporation tax and capital gains tax.

The profits of the majority of the companies within the Group are subject to tax at the rate of 25% with the exception of NALM where the applicable tax rate is 12.5%. In 2020, PB and PWH had an applicable tax rate of 12.5%.

The Group and Agency have no income tax-related contingent liabilities and contingent assets in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. No significant effects arise from changes in tax rates or tax laws after the reporting period.

16. Income tax relating to components of other comprehensive income

Group	Note	2021 €'000	2020 €'000
Movement in financial assets measured at FVOCI reserve before tax		-	(1,206)
Deferred tax credit	*27*	-	685
Total income tax relating to components of other comprehensive income		**-**	**685**

The movement in the reserves represents a temporary difference between the tax base of the financial assets and their fair value prior to the maturity of FVOCI assets.

17. Cash and cash equivalents, collateral and Exchequer Notes

Group	2021 €'000	2020 €'000
Balances with the Central Bank of Ireland	734,534	384,916
Balances with other banks	13,862	32,753
Total cash and cash equivalents	**748,396**	**417,669**
Cash placed as collateral with the NTMA	**-**	**3,000**
Exchequer Notes	**-**	**875,000**
Total cash, cash equivalents, collateral and Exchequer Notes	**748,396**	**1,295,669**

Agency	2021 €'000	2020 €'000
Balances with the Central Bank of Ireland	**33**	**181**

Balances with other banks comprise balances held with Citibank and AIB in 2021. In 2020, balances with other banks comprise balances held with Citibank, AIB and BCP.

The Group may be required to post cash collateral with the NTMA under a collateral posting agreement (CPA) (as amended) entered into in 2012. The NTMA was the counterparty to all the Group's derivatives (other than those acquired from borrowers). The NTMA may require cash to be placed with it as collateral to reduce the exposure it has to the Group with regard to its derivative positions. At 31 December 2021, Group's derivative liability exposure was €Nil (2020: €26k) as set out in Note 18. During 2021, the amount of collateral held by the NTMA decreased to €Nil as NAMA held no derivatives since July 2021.

Exchequer Notes are interest bearing notes held with the NTMA with maturities on the date of acquisition ranging greater than three months.

No expected credit loss has been recognised on cash and cash equivalents, collateral and Exchequer Notes.

18. Derivative financial instruments

The Group enters into derivative contracts to hedge its exposure to foreign exchange risk. The Group has established policies to manage the risks that arise in connection with derivatives, including hedging policies, which are explained in Notes 22, 23 and 24. No derivative contracts are held at the reporting date.

The notional amounts of certain types of financial instruments do not necessarily represent the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not a good indication of the Group's exposure to credit or market risks. Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their contracted terms. The fair value of derivative financial assets and liabilities can fluctuate significantly over time.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Group's credit risk represents the potential cost of replacing the swap contract if a counterparty fails to fulfil its obligations under the contract. This risk is monitored on an on-going basis with reference to the current fair value.

The fair values, and notional amounts thereon, of derivative financial instruments held are set out below.

		Fair values		
Group **31 December 2021**	**Notional amount €'000**	**Assets €'000**	**Liabilities €'000**	**Net €'000**
Derivatives at fair value through profit or loss				
Foreign currency derivatives	–	–	–	–

Group **31 December 2020**	**Notional amount €'000**	**Fair values** **Assets €'000**	**Liabilities €'000**	**Net €'000**
Derivatives at fair value through profit or loss				
Foreign currency derivatives	4,631	254	(26)	228

Movement recognised in the income statement

The following table shows the net fair value position on derivatives at 31 December 2021 and 2020. The movement is recognised in the consolidated income statement.

		Fair values		
Group	*Note*	**2021 €'000**	**2020 €'000**	**Movement 2021 €'000**
Derivatives at fair value through profit or loss				
Foreign currency derivatives	*14*	–	228	(228)

Derivative financial instruments at fair value through profit or loss

The Group uses currency derivatives to hedge the foreign exchange exposure which arose on the transfer of foreign currency loans from Participating Institutions with euro denominated NAMA Securities. The foreign currency derivatives are used to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans acquired.

The Agency held no derivatives at the reporting date. There is no cash flow hedging applied in the Agency.

19. Debtor loans/intergroup loan measured at FVTPL

Group	2021 €'000	2020 €'000
Debtor loans measured at fair value through profit or loss	**714,861**	**850,081**

The above reflects the carrying value of the debtor loans at the reporting date which have been classified and measured at FVTPL. The Group assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing that asset. Included within this balance are debtor loans acquired from the participating institutions, shareholder loans and a guaranteed income stream.

The following table summarises the movement in debtor loans measured at FVTPL for the reporting period.

Group	*Note*	2021 €'000	2020 €'000
Balance at 1 January		**850,081**	**1,227,167**
Movement in year			
Receipts on debtor loans measured at FVTPL		(449,152)	(855,642)
Advances to borrowers (cash and non-cash)		192,178	247,482
Foreign exchange gains/(losses) on debtor loans measured at FVTPL	*14*	194	(715)
Other movements on debtor loans measured at FVTPL		(61,268)	(4,077)
Profit on disposal and refinancing of debtor loans measured at FVTPL	*10*	1,845	86,861
Fair value gains on debtor loans measured at FVTPL	*4*	180,983	149,005
Total debtor loans measured at FVTPL		**714,861**	**850,081**

Agency	2021 €'000	2020 €'000
Intergroup loans measured at FVTPL	**514,173**	**1,479,893**

The above reflects the carrying value of the profit participating loan to NAM at the reporting date which has been classified and measured at fair value through profit or loss. The following table summarises the movement in debtor loans measured at FVTPL for the reporting period.

Agency	2021 €'000	2020 €'000
Balance at 1 January	**1,479,893**	**3,536,654**
Movement in year		
Repayment of intergroup loan	(1,000,000)	(2,056,761)
Interest income on intergroup loan measured at FVTPL	34,280	-
Total intergroup loan measured at FVTPL	**514,173**	**1,479,893**

As this intergroup loan is on demand there is no fair value gain or loss.

20. Inventories – trading properties

Group	2021 €'000	2020 €'000
Trading properties	**100**	**162,298**

Trading properties are recognised in accordance with accounting policy 2.20. The remaining trading property at the reporting date is carried at cost of €100k. The Net Realisable Value ('NRV') of this property is significantly higher.

The movement in carrying values in 2021 relates to the derecognition of property assets following subsidiaries ceasing to be NAMA group entities and the disposal of property assets.

21. Investment properties

Group	2021 €'000	2020 €'000
Investment properties	**314,000**	**292,001**

On 28 September 2019, the Minister for Finance issued a direction to NAMA to retain ownership of NARPS. NARPS is to remain in State ownership and the value attributable may form part of any potential transfer of assets as part of NAMA's lifetime surplus. As of the date of this direction, the NARPS portfolio of residential properties transferred from inventories-trading properties to investment properties. Investment properties are carried at fair value. Rental income on investment properties is included in Note 9 as Lease Rental Income. Insurance costs borne by NARPS on the investment properties are included within portfolio management fees in Note 13.

The following table summarises the movement in investment properties for the reporting period.

Investment properties	*Note*	2021 €'000	2020 €'000
Balance at 1 January		292,001	287,565
Acquisition of/costs incurred on investment properties		33	2,335
Derecognition of investment properties		-	(3,070)
Disposal of investment properties		(502)	-
Fair value movements	*5*	22,468	5,171
Balance as at 31 December		**314,000**	**292,001**

NARPS had a signed agreement with an approved housing body to lease certain investment properties once they completed. The approved housing body in 2020 confirmed their intention to complete the direct purchase of these properties. These properties were therefore derecognised during 2020.

22. Risk management

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. The principal business risks and uncertainties include general macro-economic conditions. The precise impact or probability of these risks cannot be predicted with certainty and many of them lie outside the Group's control. The Board has ultimate responsibility for the governance of all risk taking activity and has established a framework to manage risk throughout the Group.

In addition to general risks mentioned above, specific risks arise from the use of financial instruments. The principal risk categories identified and managed by the Group in its day-to-day business are credit risk, liquidity and funding risk, market risk, price risk and operational risk.

22. Risk management (continued)

Asset and liability management

The management of NAMA's assets and liabilities is achieved through the implementation of strategies which have been approved by the Board.

As a result of acquiring loans and derivatives, NAMA is exposed to currency and interest rate risks. Foreign currency risk arises at the point of loan acquisition when euro-denominated securities are issued as consideration for loan assets in GBP or other currencies, thereby creating an asset/liability currency mismatch for NAMA. NAMA also faces ongoing currency risks after loan acquisition as non-euro facilities are drawn, repaid or rescheduled and assets are disposed. NAMA is also exposed to interest rate risk on acquired loans. The current and expected performance of a loan is a key driver in the assessment of the interest rate risk to be managed.

The Risk Management Committee and the Board have adopted a prudential liquidity policy which incorporates the maintenance of a minimum liquidity buffer or cash reserve. This buffer is kept under review in line with overall asset and liability management strategy.

Risk Oversight and Governance

Risk Management Committee

The Risk Management Committee, a subcommittee of the Board, oversees risk management and compliance throughout the Group. It reviews, on behalf of the Board, the key risks inherent in the business and ensures that an adequate risk management framework is in place to manage the Group's risk profile and its material exposures.

Audit Committee

The Audit Committee seeks to ensure compliance with financial reporting requirements. It reports to the Board on the effectiveness of control processes operating throughout the Group. It reports on the independence and integrity of the external and internal audit processes, the effectiveness of NAMA's internal control system and compliance with relevant legal, regulatory and taxation requirements by NAMA.

Credit Committee

The Credit Committee is responsible for making credit decisions within its delegated authority from the Board. These include *inter alia* the approval of debtor asset management/debt reduction strategies, advancement of new money, approval of asset/loan disposals, the setting and approval of repayment terms, property management decisions and decisions to take enforcement action where necessary. The Credit Committee also makes recommendations to the Board in relation to specific credit requests where authority rests with the Board and provides an oversight role in terms of key credit decisions made below the delegated authority level of the Credit Committee. It is also responsible for evaluating the overall credit framework and sectoral policies for ultimate Board approval. Finally, the Credit Committee reviews management information prepared by the Asset Management and Recovery, Residential Delivery and CFO functions in respect of the NAMA portfolio.

Audit and Risk – Chief Financial Officer (CFO) Division

The Audit and Risk unit is part of the CFO division of NAMA and is responsible for the co-ordination and monitoring of internal and external audit. The unit supports the NAMA CFO to ensure that NAMA operates within the Board approved risk limits and tolerances. Audit and Risk is also responsible for the design and implementation of the NAMA Risk Management Framework, monitoring NAMA's principal risks and reporting to the Risk Management Committee on NAMA's risk profile. The unit provides an independent assessment and challenge of the adequacy of the control environment, it coordinates the internal and external audit activities across NAMA, the Primary Servicer and Master Servicer and it monitors and reports to the Audit Committee and Board the progress in addressing actions highlighted in audit findings. The unit also supports the business in assessing their compliance with policies and procedures and provides advice where opportunities for enhanced control are identified.

NTMA Risk unit

The NTMA Risk unit provided market risk support to the Group during the year. Furthermore, the management of the Group's counterparty credit risk on market related transactions (derivatives and cash deposits), in line with the Board's policy, has also been delegated to the NTMA.

22. Risk management (continued)

22.1 Market risk

Market risk is the risk of a potential loss in the income or net worth of the Group arising from changes in interest rates, exchange rates or other market prices.

Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Group is exposed to market risk on its loans and any derivative positions. While the Group has in place a comprehensive set of risk management procedures to mitigate and control the impact of movements in interest rates, foreign exchange rates and other market risks to which it is exposed, it is difficult to predict accurately changes in economic or market conditions or to anticipate the precise effects that such changes could have on the Group.

The Group has made use of foreign currency derivatives to manage the currency profile of its assets and liabilities. At the reporting date, the Group held no foreign currency derivatives. Currency exposures are monitored on a weekly basis to ascertain the requirement for foreign currency derivative contracts.

22.2 Market risk management

Objective

The Group has in place effective systems and methodologies for the identification and measurement of market risks in its statement of financial position. These risks are then managed within strict limits and in the context of a conservative risk appetite that is consistent with the NAMA legislation.

Policies

The management of market risk within the Group is governed by market risk policies approved by the Risk Management Committee and the Board. The Board approves overall market risk tolerance and delegates the lower level limit setting to the Risk Management Committee. The management of the Group's key market risks (such as interest rate and foreign exchange risk) is centralised within the NTMA's Treasury unit. NAMA's Audit and Risk unit provides oversight and is responsible for the monitoring of the limit framework within the context of limits approved by the Risk Management Committee and Board. During the year market risk support was provided by the NTMA Risk unit.

Risk mitigation

Risk mitigation involves the matching of asset and liability risk positions to the maximum extent practicable, and the use of derivatives to manage cash flow timing mismatch and interest rate sensitivity within the approved limit structure. The Group's Balance Sheet policies are designed to ensure a rigorous system of control is in place which includes prescribing a specific range of approved products and limits that cover all of the risk sensitivities associated with approved products. The Group provides reporting to the Risk Management Committee with detailed analysis of all significant risk positions and compliance with risk limits.

The Risk Management Committee reviews, approves and makes recommendations concerning the market risk profile and limits across the Group. The reporting produced by the NTMA Risk unit includes analysis of all significant risk positions and compliance with risk limits.

22.3 Market risk measurement

22.3.1 Interest rate risk

The Group is exposed to interest rate risk on certain financial assets and liabilities. Effective systems have been put in place to mitigate such exposure.

The Group acquired fixed and variable rate loans from the Participating Institutions, as well as derivatives that were used to convert (for debtors) variable rate loans to fixed rate loans. The Group can employ risk sensitivities, risk factor stress testing and scenario analysis to monitor and manage interest rate risk. Risk sensitivities are calculated by measuring an upward parallel shift in the yield curve to assess the impact of interest rate movements.

Information provided by the sensitivity analysis does not necessarily represent the actual change in fair value that the Group would incur under normal market conditions because, due to practical limitations, all variables other than the specific market risk factors are held constant.

The following tables summarise the Group's and the Agency's time-bucketed (defined by the earlier of contractual re-pricing or maturity date) exposure to interest rate re-set risk. It sets out, by time bucket, the assets and liabilities which face interest rate re-setting.

22. Risk management (continued)

22.3 Market risk measurement (continued)

22.3.1 Interest rate risk (continued)

Interest rate risk Group 2021	0-12 months €'000	Non- interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	748,396	-	748,396
Debtor loans measured at FVTPL	714,861	-	714,861
Investments in equity instruments	-	21,879	21,879
Other assets	-	3,877	3,877
Total financial assets exposed to interest rate re-set	**1,463,257**	**25,756**	**1,489,013**
Financial liabilities			
Other liabilities	-	27,796	27,796
Total financial liabilities exposed to interest rate re-set	**-**	**27,796**	**27,796**

Interest rate risk Group 2020	0-12 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	417,669	-	417,669
Cash placed as collateral with the NTMA	3,000	-	3,000
Exchequer Notes	875,000	-	875,000
Debtor loans measured at FVTPL	850,081	-	850,081
Investments in equity instruments	-	13,381	13,381
Other assets	-	1,303	1,303
Total financial assets exposed to interest rate re-set	**2,145,750**	**14,684**	**2,160,434**
Financial liabilities			
Other liabilities	-	29,920	29,920
Total financial liabilities exposed to interest rate re-set	**-**	**29,920**	**29,920**

22. Risk management (continued)

22.3 Market risk measurement (continued)

22.3.1 Interest rate risk (continued)

Interest rate risk Agency 2021	0-12 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	33	-	33
Intergroup loan measured at FVTPL	514,173	-	514,173
Investment in subsidiary	-	105,696	105,696
Other assets	-	15,666	15,666
Total financial assets exposed to interest rate re-set	**514,206**	**121,362**	**635,568**
Financial liabilities			
Interest bearing loans and borrowings	52,825	-	52,825
Other liabilities	-	17,946	17,946
Total financial liabilities exposed to interest rate re-set	**52,825**	**17,946**	**70,771**

Interest rate risk Agency 2020	0-12 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	181	-	181
Intergroup loan measured at FVTPL	1,479,893	-	1,479,893
Investment in subsidiary	-	105,696	105,696
Other assets	-	13,593	13,593
Total financial assets exposed to interest rate re-set	**1,480,074**	**119,289**	**1,599,363**
Financial liabilities			
Interest bearing loans and borrowings	53,336	-	53,336
Other liabilities	-	15,532	15,532
Total financial liabilities exposed to interest rate re-set	**53,336**	**15,532**	**68,868**

Interest rate risk sensitivity

The following table represents the interest rate sensitivity arising from a 50 basis point (bp) increase or decrease in interest rates across the curve, subject to a minimum interest rate of 0%. This risk is measured as the net present value (NPV) impact, on the statement of financial position, of that change in interest rates. This analysis shifts all interest rates for each currency and each maturity simultaneously by the same amount.

The interest rates for each currency are set as at 31 December 2021. The figures take account of the effect of debtor loans.

22. Risk management (continued)

22.3 Market risk measurement (continued)

22.3.1 Interest rate risk (continued)

Interest rate sensitivity analysis – a 50bp move across the interest rate curve

	2021		2020	
Group	+50bp €'000	-50bp €'000	+50bp €'000	-50bp €'000
EUR	(710)	710	(3,100)	3,113
GBP	(2)	2	(2)	2
USD	1	(1)	(5)	5

The Agency's financial assets and financial liabilities are interest rate insensitive.

22.3.2 Foreign exchange risk

As part of the acquisition of loans and derivatives from the Participating Institutions, the Group acquired a number of loans denominated in foreign currency, principally in GBP. As a result, the Group is exposed to the effects of fluctuations in foreign currency exchange rates, on its financial position and cash flows. The Group monitors on a regular basis the level of exposure by currency and whether there is a requirement to enter into hedges to mitigate these risks. At the reporting date, the Group held no foreign exchange derivatives.

The following table summarises the Group's exposure to foreign currency risk at 31 December 2021. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. These tables take account of any relevant hedging instruments held which have the effect of reducing currency risk.

Group 2021	USD €'000	GBP €'000	Total €'000
Assets			
Cash and cash equivalents	55	1,060	**1,115**
Debtor loans measured at FVTPL	(897)	1,998	**1,101**
Net exposure to foreign currency risk	**(842)**	**3,058**	**2,216**

Group 2020	USD €'000	GBP €'000	Total €'000
Assets			
Cash and cash equivalents	82	953	**1,035**
Debtor loans measured at FVTPL	4,904	1,694	**6,598**
Derivative financial instruments	(4,075)	(556)	**(4,631)**
Net exposure to foreign currency risk	**911**	**2,091**	**3,002**

All of the Agency's assets and liabilities are stated in euro. Therefore, the Agency has no exposure to foreign currency risk.

22. Risk management (continued)

22.3 Market risk measurement (continued)

22.3.2 Foreign exchange risk (continued)

Exposure to foreign exchange risk - sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2021 would have reduced/(increased) equity and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the euro against the same currencies would have had the equal but opposite effect, on the basis that all other variables remain constant.

Group	2021 €'000	2020 €'000
GBP	(278)	(190)
USD	77	(83)

22.3.3 Other price risk

The Group is exposed to equity price risk arising from equity instruments. The fair value of equity instruments is measured based on the net asset value of the investment entity at the reporting date. Equity price risk is monitored through the review of net asset valuations, which are provided by the fund managers.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the fair values of the equity investments held had been 10% higher/lower, profit before taxation for the financial year ended 31 December 2021 would increase/decrease by €2.2m (2020: €1.3m) as a result of the changes in fair value of NAMA's equity instruments, which are classified as fair value through profit or loss, in accordance with accounting policy 2.7.

The Agency is not exposed to other price risk.

23. Credit risk

Credit risk is the risk of incurring financial loss from the failure by debtors or market counterparties of the Group to fulfil contractual obligations to the Group taking account of the realisable value of collateral pledged as security for such obligations. NAMA's main credit risk arises from the repayment performance of its debtors and the ultimate value realisable from assets held as security.

NAMA is also exposed to concentration risk arising from exposures across its loan book. Concentrations in particular portfolio sectors, such as property, can impact the overall level of credit risk.

The Group's debtor-related exposures arose from the acquisition of a substantial portfolio of loans secured mostly on property in the commercial and residential sector in Ireland and the UK, and to a lesser extent in Europe, the USA and the rest of the world. The portfolio at 31 December 2021 is predominantly secured on property in Ireland. Credit risk also arises in relation to the Group's lending activities, which are undertaken in order to preserve or enhance value (including funding of the development of residential units) with the aim of achieving the maximum financial return for the State subject to acceptable risk. Undrawn loan commitments, guarantees and other financial assets also create credit risk.

Credit risk is the most significant risk to the Group's business. The Group therefore manages its exposure to credit risk. The credit risk arising from the original acquisition of the loan portfolio was mitigated as far as possible by the completion of an intensive property and legal due diligence process. This was designed to ensure that loans were properly valued in accordance with the statutory scheme that provided for their acquisition by the Group, such valuations being independently verified to the satisfaction of the relevant authorities. The credit risk arising from the Group's ongoing lending and credit risk management activities is mitigated by the Group's Policy and Procedures Framework.

Credit risk arises and is managed principally in two divisions of the Group being Asset Management and Recovery and Residential Delivery.

NAMA Asset Management and Recovery

The Asset Management and Recovery Division drives financial return and fulfils NAMA's wider strategic objectives through working with debtors, receivers and institutional investment venture partners to identify, develop and manage assets where value can be added through judicious development and asset management strategies.

23. Credit risk (continued)

NAMA Asset Management and Recovery (continued)

In order to implement these strategies NAMA holds minority shareholdings in certain investment vehicles in the Dublin Docklands and Poolbeg West SDZ (refer to Note 26).

This division continues to be responsible for maximising recovery from real estate backed loans, through intensive management and phased deleveraging. In order to maximise recovery there is significant interaction with debtors/ insolvency practitioners through intensive daily management, with an innovative and solutions based approach, employing a range of work-out methods including: setting and actively monitoring clear strategies, targets and milestones; minimising debtor, service provider and insolvency practitioner costs; securing and maximising income; optimising sales values through proactive asset management; providing additional capital expenditure where incremental value can be obtained or value protected and ultimately implementing an appropriate monetisation strategy such as loan sales, asset and portfolio sales. Regular assessment of asset sale versus asset hold options are carried out using, *inter alia* discounted cash flow analysis.

NAMA Residential Delivery

In 2015 the NAMA Board agreed the objective to facilitate the delivery of 20,000 residential units on NAMA secured land and to maximise the number of sites that are ready of development. The Credit Approval process within Residential Delivery is operated within the current Group Policy and Procedure Framework. In addition, a separate and dedicated Credit and Risk Team is in place to provide additional oversight of the application of lending policies, procedures and guidelines, attainment of commercial viability hurdles and delivery on cashflow assumptions in relation to all additional funding advanced. This is achieved through ongoing monitoring of development projects against approved budgets/cashflows. A key control within this area requires the Residential Delivery division to modulate its funding of construction activity to ensure it is in line with actual sales volumes being achieved. Furthermore, the Residential Delivery division continues to manage the orderly deleveraging of debtors' existing borrowings through the ongoing sale of their non-development assets, and development assets where relevant.

Policy and Procedures Framework

The overall objective of the Group's Policy and Procedures Governance Framework is to assist in implementing and maintaining an efficient and effective control environment.

Ultimate responsibility for the management of credit risk in the Group rests with the Board. Credit risk management and control is implemented by the two relevant divisions as described above. Credit risk is reported to the Board and Credit Committee on a regular basis and the Framework is subject to a formal annual review.

The Group is responsible for managing loans, which have been acquired under the provisions of the NAMA Act. Loans acquired from Participating Institutions were grouped together and are managed on a connection basis.

The Group is required to make various credit decisions which are approved by the relevant NAMA Delegated Authority and which may involve new lending, the restructuring of loans or the taking of enforcement action. Specifically, a credit decision can arise out of any event that could materially change the underlying risk profile of an exposure or debtor connection, including:

- An application for credit, including the funding of residential developments by a debtor/insolvency practitioner;
- Approval of asset sales;
- A proposal by a debtor which may involve pragmatic/commercial compromises or incentives in order to maximise NAMA's overall position;
- A proposed debtor or insolvency practitioner strategy;
- A proposed extension or amendment of terms for any or all of a debtor's exposures;
- A proposal to initiate insolvency or enforcement action;
- An asset management proposal for secured assets, e.g. approving new leases; and
- An action by a third party concerning a common debtor e.g. a non-participating institution/insolvency practitioner.

A number of debtors' NAMA-approved work-out strategies include possible commercial arrangements which are triggered when ambitious or 'stretch' financial and operational targets are met. In certain cases, if debtors achieve these stretch targets, they may retain a proportion of any excess income achieved above target levels. The objective of this is to ensure that debtors are motivated to extract maximum value from the workout and realisation of their assets. Improvement in property market conditions since the end of 2013 has triggered payments or actions in a number of cases. Where appropriate, payment of development management fees is considered on a case-by-case basis as part of commercially viable residential development funding.

Credit risk is measured, assessed and controlled for all transactions or credit events that arise from the Group's acquisition of loans, and from the ongoing management of those loans.

23. Credit risk (continued)

23.1 Credit risk measurement

The Group applies the following measures of exposure:

Debtor Loan portfolio - credit exposure measurement

- Par debt exposure - the gross amount owed by the debtor, i.e. the total amounts due in accordance with the original contractual terms of acquired loans. The total Par debt acquired by the Group was €74bn. Total Par debt outstanding at the reporting date is €16.3bn (2020: €21.5bn).
- NAMA debt exposure - the acquisition amount paid by the Group (plus any new money lent by the Group, fair value changes and interest charge added, less cash payments received). The total consideration paid for loans and related derivatives acquired was €31.8bn. Total NAMA Debt outstanding at the reporting date is €0.7bn (2020: €0.9bn).

In accordance with Section 10 of the Act, NAMA is required to expeditiously obtain the best achievable financial return for the State having regard to Par debt, acquisition cost, any costs as a result of dealing with the assets, its cost of capital and other costs. These are the fundamental measures upon which credit and case strategy decisions will be made. They are also the basis for determining the appropriate Delegated Authority level for credit decisions made by the Group. NAMA monitors Par and NAMA debt exposure in parallel and uses them in support of all credit decisions.

Concentration risk

Concentration risk arises where any single exposure or group of exposures, based on common risk characteristics, has the potential to produce losses large enough relative to the Group's capital, total assets, earnings or overall risk level to threaten its ability to deliver its core objectives.

The Group manages its exposure to risk through the Group's risk appetite statement and monitors exposures to prevent excess concentration of risk. Concentration risk to divisions and sectors, and movements in such concentrations are monitored regularly to prevent excessive concentration of risk, and to provide early warning for potential excesses. These measures facilitate the measurement of concentrations within the Group and in turn facilitate appropriate management action and decision making.

23.2 Credit risk assessment

Credit risk assessment focuses on debtor and counter party repayment capacity and all credit enhancements available, including security. Loans and advances to debtors are collateralised principally by charges over real estate assets, other assets, liens on cash deposits, and are supplemented in certain cases by personal and corporate guarantees.

The Group relied initially on the valuations placed on existing security and recourse attached to loans acquired as part of the acquisition process. In addition, the Group seeks to ensure that an appropriate, up-to-date assessment of value of any additional forms of security or recourse are included in the assessment of debtor's and insolvency practioner's new credit proposal. An updated assessment of existing security value may also be part of that process.

A key consideration in advancing funding is whether or not the debtor's or insolvency practitioner's credit proposal is value enhancing in terms of its potential ability to maximise capacity to repay debt rather than disposal of assets on an "as is" basis.

In determining additional or alternative forms of security or recourse, the Group may commission personal asset assessments of a debtor to identify any security or recourse that may be available to protect the Group's interests.

23.3 Credit risk control

The Group has a defined Policy and Procedures Framework which sets out authority levels for permitted credit decisions and credit limits, as well as credit risk monitoring and reporting.

The Policy and Procedures Framework sets out the permitted decision making and credit limits, for example relating to:

- The approval of Debtor and Insolvency Practitioner work-out strategies and Strategic Credit Reviews;
- The approval of new lending;
- Loan restructuring or renegotiation where no additional debt is provided;
- Enforcement action being taken by the Group;
- Sales of assets/loans;
- Property and asset management requirements; and
- Debtor and third party costs required to implement approved work-out strategies.

23. Credit risk (continued)

23.3 Credit risk control (continued)

The level of approval required for credit decisions is determined by reference to the total amount of the debtor's outstanding debt balance, the fair value of the loans and the level of additional funding being sought by reference to NAMA's Delegated Authority Policy.

Credit decisions are approved by one or more of the following within a cascading level of approved delegated authority:

- Panel A Delegated Authority Policy holders;
- Panel B Delegated Authority Policy holders;
- Senior Divisional Manager;
- Divisional Head (or Deputy Head);
- CEO and Head of Division (or Deputy Head);
- Credit Committee;
- Board.

Oversight of the compliance with the Delegated Authority Policy is coordinated by the Business Management Team and oversight reviews are undertaken by independent reviewers including the internal audit function.

Specific control and mitigation measures adopted by the Group are outlined below:

(a) Cash Management

Management of cash within a debtor connection is a key control with the aim of ensuring that overheads, working capital or development capital expenditure payments are appropriate and verified so that potential cash leakage is eliminated. The full visibility of all rental/trading income and asset sales income including income derived from completed NAMA funded residential units is also required.

(b) Collateral

Loans and advances to debtors and insolvency practitioners are collateralised principally by charges over real estate assets, other assets, liens on cash deposits, and are supplemented in certain cases by personal and corporate guarantees.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of first fixed charge security typically over real estate assets in respect of any working or development capital advanced.

The principal collateral types acceptable for credit risk mitigation of loans are:

- Mortgages over various land and properties;
- Floating charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Charges over bank deposits including sales receipts accounts for Debtors who avail of approved residential development funding.

23. Credit risk (continued)

23.4 Maximum exposure to credit risk - before collateral held or other credit enhancements

The following table sets out the maximum exposure to credit risk for financial assets with credit risk at 31 December 2021, taking no account of collateral or other credit enhancements held. Exposures are based on the net carrying amounts as reported in the Group's Statement of financial position.

Group	*Note*	Maximum exposure 2021 €'000	Maximum exposure 2020 €'000
Cash and cash equivalents		748,396	417,669
Cash placed as collateral with the NTMA		-	3,000
Exchequer Notes		-	875,000
Derivative financial instruments		-	254
Debtor loans measured at FVTPL		714,861	850,081
Other assets		3,877	1,303
Investments in equity instruments		21,879	13,381
Total assets		**1,489,013**	**2,160,688**
Loan commitments	*24.3*	139,897	159,043
Total maximum exposure		**1,628,910**	**2,319,731**

Agency	Maximum exposure 2021 €'000	Maximum exposure 2020 €'000
Cash and cash equivalents	33	181
Intergroup loan at FVTPL	514,173	1,479,893
Investments in subsidiaries	105,696	105,696
Other assets	15,666	13,593
Total maximum exposure	**635,568**	**1,599,363**

23. Credit risk (continued)

23.5 Information regarding the credit quality of debtor loans and other financial instruments

(a) Debtor loans

The Group has implemented a grading policy to provide a risk profile of NAMA's portfolio which applies to all debtors. NAMA's credit grade scale seeks to assign a measure of the risk to the recovery of a financial asset and is based on two dimensions with nine possible grades expressed as a combination of a number and letter 1A, 3B etc.

- The first dimension (scale 1, 2, 3) measures the quality of the underlying assets acquired and the expectation for debt recovery relative to the NAMA debt.
- The second dimension (scale A, B, C) rates the level of debtor performance and cooperation by measuring the achievement of financial and non-financial milestones that have been agreed through the debtor engagement process.

The possible grade outcomes can be summarised into the following categories:

- Satisfactory: Connection deemed to be co-operating with NAMA with agreed milestones being achieved
- Watch: Connection requires closer monitoring with evidence of actual/potential milestone slippage
- Other: Connection has had milestone slippage and/or has an insolvency practitioner appointed

The following table sets out the distribution of debtor loans measured at FVTPL based on the 3 possible grade outcomes at year end.

	2021 €'000	2020 €'000
Satisfactory	60,976	82,508
Watch	409,506	439,508
Other	244,379	328,065
Debtor loans	**714,861**	**850,081**

The change in fair value of debtor loans is attributable to changes in credit risk associated with the underlying debtors and secured collateral. The change in portfolio value is due to monetisation of debtor loans during the period.

All the assets of the Agency are inter-group assets and are current.

(b) Other financial instruments amounts

The credit quality of the following financial instrument amounts at the reporting date have been graded satisfactory.

- Cash and cash equivalents
- Investments in equity instruments
- Other assets

Default occurs when a counterparty does not meet its obligations.

Cash and cash equivalents are held with central banks and other banks/counterparties which have a very low risk of default and a low credit risk profile. All banks/counterparties are rated investment grade by credit rating agencies at 31 December 2021 (2020: investment grade).

23.6 Geographical reporting

The following table analyses the Group's main credit exposures at their carrying amounts, with debtor loans and investments in equity instruments based on the location of collateral securing them and all other assets based on the location of the asset.

Geographical reporting 2021 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Total €'000
Debtor loans measured at FVTPL				
– Land and development	471,924	1,373	-	473,297
– Investment property	240,264	45	1,255	241,564
Total debtor loans	**712,188**	**1,418**	**1,255**	**714,861**
Cash and cash equivalents	748,396	-	-	748,396
Other assets	3,877	-	-	3,877
Investments in equity instruments	21,879	-	-	21,879
Total assets	**1,486,340**	**1,418**	**1,255**	**1,489,013**

Geographical reporting 2020 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Total €'000
Debtor loans measured at FVTPL				
– Land and development	576,446	-	-	576,446
– Investment property	249,764	252	23,619	273,635
Total debtor loans	**826,210**	**252**	**23,619**	**850,081**
Cash and cash equivalents	417,669	-	-	417,669
Cash placed as collateral with the NTMA	3,000	-	-	3,000
Exchequer Notes	875,000	-	-	875,000
Derivative financial instruments	254	-	-	254
Other assets	1,303	-	-	1,303
Investments in equity instruments	13,381	-	-	13,381
Total assets	**2,136,817**	**252**	**23,619**	**2,160,688**

The Agency's statement of financial position comprises inter-group assets in respect of the reimbursement of administration expenses from the Group, therefore all of the assets exposed to credit risk in the Agency are located in Ireland.

24. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet all of its financial obligations as and when they fall due. Liquidity risk arises from differences in timing between cash inflows and outflows.

24.1 Liquidity risk management process

The Group's liquidity risk management process as carried out within the Group includes:

- Management of NAMA's day-to-day liquidity and funding requirements so as to ensure that it will meet all obligations as they fall due: these include future lending commitments, interest on liabilities, lease liabilities, collateral posting as required, day-to-day operating costs, fees and expenses.
- Asset and Liability management; by monitoring the maturity profile within the Group's statement of financial position to ensure that sufficient cash resources are retained and/or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.

Monitoring and reporting takes the form of cash flow measurement and projections for periods of one week to one year with the planning process covering periods beyond one year. The NAMA Finance unit independently produces liquidity forecasts that are provided to the Risk Management Committee and Board. All projections include a 'stressed' forecast to cater for prolonged periods of uncertainty. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected repayment date of the financial assets.

In 2021 and 2020, the key liquidity risk for the Group is the settlement of other liabilities and lease liabilities.

24.2 Non-derivative cash flows

The following table presents the cash flows payable by the Group and the Agency on foot of non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative cash flows Group 31 December 2021	**0-6 months €'000**	**Greater than 6 months €'000**	**Total €'000**
Liabilities			
Other liabilities	22,776	5,020	27,796
Total liabilities	**22,776**	**5,020**	**27,796**
Assets held for managing liquidity risk	**748,396**	**-**	**748,396**

Non-derivative cash flows Group 31 December 2020	**0-6 months €'000**	**Greater than 6 months €'000**	**Total €'000**
Liabilities			
Other liabilities	27,308	2,612	29,920
Total liabilities	**27,308**	**2,612**	**29,920**
Assets held for managing liquidity risk	**1,295,669**	**-**	**1,295,669**

Non-derivative cash flows Agency 31 December 2021	**0-6 months €'000**	**Greater than 6 months €'000**	**Total €'000**
Liabilities			
Interest bearing loans and borrowings	52,825	-	52,825
Other liabilities	17,946	-	17,946
Total liabilities	**70,771**	**-**	**70,771**
Assets held for managing liquidity risk	**33**	**-**	**33**

24. Liquidity risk (continued)

24.2 Non-derivative cash flows (continued)

Non-derivative cash flows Agency 31 December 2020	0-6 months €'000	Greater than 6 months €'000	Total €'000
Liabilities			
Interest bearing loans and borrowings	53,336	-	53,336
Other liabilities	15,532	-	15,532
Total liabilities	**68,868**	**-**	**68,868**
Assets held for managing liquidity risk	**181**	**-**	**181**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, collateral and Exchequer Notes. Assets held for managing liquidity risk do not take into account debtor loan balances which are on-demand.

24.3 Loan commitments

The dates of the contractual amounts of the Group's financial instruments that commit it to extend credit to customers and other credit facilities are summarised in the following table.

Group Commitments to lend	No later than 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
31 December 2021	68,606	71,291	-	139,897
31 December 2020	115,268	42,014	1,761	159,043

The Agency has no commitments to extend credit.

25. Fair value of assets and liabilities

(a) Comparison of carrying value to fair value

The following table summarises the carrying amounts and fair values of financial assets and liabilities presented in the Group and Agency's statement of financial position.

Group	2021 Carrying value €'000	2021 Fair value €'000	2020 Carrying value €'000	2020 Fair value €'000
Financial assets				
Cash and cash equivalents	748,396	748,396	417,669	417,669
Cash placed as collateral with the NTMA	-	-	3,000	3,000
Exchequer Notes	-	-	875,000	875,000
Derivative financial instruments	-	-	254	254
Debtor loans measured at FVTPL	714,861	714,861	850,081	850,081
Other assets	3,877	3,877	1,303	1,303
Investments in equity instruments	21,879	21,879	13,381	13,381
Total assets	**1,489,013**	**1,489,013**	**2,160,688**	**2,160,688**

25. Fair value of assets and liabilities (continued)

(a) Comparison of carrying value to fair value (continued)

Group	2021 Carrying value €'000	2021 Fair value €'000	2020 Carrying value €'000	2020 Fair value €'000
Financial liabilities				
Derivative financial instruments	-	-	26	26
Other liabilities	27,796	27,796	29,920	29,920
Total liabilities	**27,796**	**27,796**	**29,946**	**29,946**

Agency	2021 Carrying value €'000	2021 Fair value €'000	2020 Carrying value €'000	2020 Fair value €'000
Financial assets				
Cash and cash equivalents	33	33	181	181
Intergroup loan measured at FVTPL	514,173	514,173	1,479,893	1,479,893
Other assets	15,666	15,666	13,593	13,593
Investment in subsidiaries	105,696	105,696	105,696	105,696
Total assets	**635,568**	**635,568**	**1,599,363**	**1,599,363**

Agency	2021 Carrying value €'000	2021 Fair value €'000	2020 Carrying value €'000	2020 Fair value €'000
Financial liabilities				
Interest bearing loans and borrowings	52,825	52,825	53,336	53,336
Other liabilities	17,946	17,946	15,532	15,532
Total liabilities	**70,771**	**70,771**	**68,868**	**68,868**

Financial assets and liabilities not subsequently measured at fair value

For financial assets and liabilities which are not subsequently measured at fair value in the statement of financial position, their fair value is their carrying amount due to their short term nature.

(b) Fair value hierarchy

IFRS 13 Fair Value Measurement specifies a three level hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect assumptions that are specific to the asset and are not necessarily based on observable market data. The fair value hierarchy comprises:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes government bonds where quoted market prices are available.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes OTC derivative contracts. The sources of input parameters use the standard Euribor yield curve.

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components. The fair value of equity investments is based on the asset value of the underlying companies. The asset values of the underlying companies are primarily derived from the fair value of the underlying properties. The fair value is calculated using a residual valuation approach and market evidence of comparable transactions. The significant unobservable component used for valuation is asset values. This level also includes debtor loans measured at FVTPL. The valuation methodology for debtor loans measured at FVTPL is to estimate the expected cash flows to be generated by the financial asset and then discount these values back to a present value. The assumptions involved in this technique include:
  - determining suitable stratifications for the portfolio to segment assets with similar risk characteristics (2021 and 2020: Deleveraging Land & Development, Deleveraging Residential, Deleveraging Commercial, Deleveraging NRE, L&D Core Active, L&D Core Not Active);
  - the likelihood and expected timing of future cash flows; and
  - selecting an appropriate discount rate for the financial asset or group of financial assets, based on management's assessment of the characteristics of the instrument and relevant market information. Discount rates for 2021 and 2020 range from 8% to 12%.

  This level also includes investment properties. The fair value of investment properties was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the categories of properties being valued. The valuer utilised the investment method of valuation using the discounted cash flow technique. The assumptions involved in this technique include:
  - determining the likelihood of purchase options being exercised;
  - selecting an appropriate exit yield rate based on factors including location and residential unit type. Yield rates range from 3.75% to 7.25% (2020: 3.75% to 7.5%); and
  - determining expected rent cash flows based on expected growth rates for CPI sub-indices and gross to net percentages for operation costs.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Fair value hierarchy for assets and liabilities measured at fair value

Group 31 December 2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Debtor loans measured at FVTPL	-	-	714,861	714,861
Investments in equity instruments	-	-	21,879	21,879
Investment properties	-	-	314,000	314,000
Total assets	**-**	**-**	**1,050,740**	**1,050,740**

Group 31 December 2020	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Foreign currency derivatives	-	254	-	254
Debtor loans measured at FVTPL	-	-	850,081	850,081
Investments in equity instruments	-	-	13,381	13,381
Investment properties	-	-	292,001	292,001
Total assets	**-**	**254**	**1,155,463**	**1,155,717**
Liabilities				
Foreign currency derivatives	-	26	-	26
Total liabilities	**-**	**26**	**-**	**26**

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Agency 31 December 2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Intergroup loan measured at FVTPL	-	-	514,173	514,173
Total assets	**-**	**-**	**514,173**	**514,173**

Agency 31 December 2020	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Intergroup loan measured at FVTPL	-	-	1,479,893	1,479,893
Total assets	**-**	**-**	**1,479,893**	**1,479,893**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period). The Group's policy is to recognise transfers into and out of the fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. There were no transfers between hierarchy levels during 2021 and 2020.

IFRS 13 requires that financial assets and liabilities not carried at fair value but for which fair value is disclosed are also classified within the fair value hierarchy. Financial assets and liabilities measured at amortised cost are classified under Level 1.

None of the assets and liabilities of the Agency are carried at fair value apart from the intergroup loan measured at fair value through profit or loss.

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value.

Group Investments in equity instruments	*Note*	2021 €'000	2020 €'000
Balance as at 1 January		13,381	18,902
Additional investments		1,849	6,772
Disposal of investments		(1,052)	(2,496)
Fair value movements	*9*	7,701	(9,797)
Balance as at 31 December		**21,879**	**13,381**

Group Debtor loans measured at FVTPL	2021 €'000	2020 €'000
Balance as at 1 January	850,081	1,227,167
Receipts on debtor loans measured at FVTPL	(449,152)	(855,642)
Advances to borrowers	192,178	247,482
Foreign exchange gains/(losses) on debtor loans measured at FVTPL	194	(715)
Other movements on debtor loans measured at FVTPL	(61,268)	(4,077)
Profit on disposal and refinancing of debtor loans measured at FVTPL	1,845	86,861
Fair value gains on debtor loans measured at FVTPL	180,983	149,005
Balance as at 31 December	**714,861**	**850,081**

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Group Investment properties	Note	2021 €'000	2020 €'000
Balance as at 1 January		292,001	287,565
Acquisition of/costs incurred on investment properties		33	2,335
Derecognition of investment property		-	(3,070)
Disposal of investment properties		(502)	-
Fair value movements	5	22,468	5,171
Balance as at 31 December		**314,000**	**292,001**

Agency Intergroup loan at FVTPL	2021 €'000	2020 €'000
Balance as at 1 January	1,479,893	3,536,554
Repayment of intergroup loan	(1,000,000)	(2,056,661)
Interest income on intergroup loan measured at FVTPL	34,280	-
Balance as at 31 December	**514,173**	**1,479,893**

Quantitative information about fair value measurements (Level 3)

			Fair value	
Level 3 assets	**Valuation technique**	**Unobservable input**	**31 December 2021 €'000**	**31 December 2020 €'000**
Investments in equity instruments	Residual valuation approach	1) Asset value	21,879	13,381
Debtor loans	Discounted cashflow	1) Portfolio Stratification 2) Timing of cashflows 3) Collateral values 4) Discount rates	714,861	850,081
Investment properties	Discounted cashflow	1) Yield rates 2) Growth rates 3) Gross to net percentage for operating cost 4) Exercise of purchase options	314,000	292,001

The intergroup loan on the Agency is repayable on demand so the par value is its fair value.

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Sensitivity of Level 3 measurements

The implementation of valuation techniques involves a considerable degree of judgement. The sensitivity analysis has been determined based on the exposure to possible alternative assumptions in the valuation methodology at the end of the reporting period. The fair value of investment properties would change if any of the unobservable inputs were to change. It is considered that a 10% increase in the net asset value of equity investment would result in a 10% increase in fair value.

The sensitivity analysis for debtor loans measured at FVTPL is set out below.

The following table shows an estimate of the impact of changes in collateral values on fair value of debtor loans.

31 December 2021 **Sector**	**+/-1%** **€m**	**+/-3%** **€m**	**+/-5%** **€m**
Land and Development	+/- 4	+/- 13	+/- 22
Investment Property	+/- 3	+/- 8	+/- 14
Total	**+/- 7**	**+/- 21**	**+/- 36**

31 December 2020 **Sector**	**+/-1%** **€m**	**+/-3%** **€m**	**+/-5%** **€m**
Land and Development	+/- 6	+/- 17	+/- 28
Investment Property	+/- 3	+/- 9	+/- 15
Total	**+/- 9**	**+/- 26**	**+/- 43**

The following table shows an estimate of the impact of changes in discount factors on fair value of debtor loans.

31 December 2021 **Sector**	**- 5%** **€m**	**- 3%** **€m**	**- 1%** **€m**	**+1%** **€m**	**+3%** **€m**	**+5%** **€m**
Land and Development	37	21	7	(7)	(20)	(32)
Investment Property	12	7	2	(2)	(7)	(11)
Total	**49**	**28**	**9**	**(9)**	**(27)**	**(43)**

31 December 2020 **Sector**	**- 5%** **€m**	**- 3%** **€m**	**- 1%** **€m**	**+1%** **€m**	**+3%** **€m**	**+5%** **€m**
Land and Development	44	26	8	(8)	(24)	(39)
Investment Property	20	12	4	(4)	(11)	(18)
Total	**64**	**38**	**12**	**(12)**	**(35)**	**(57)**

The following table shows an estimate of the impact of changes in timing of cash flows on fair value of debtor loans.

31 December 2021 **Sector**	**+6 months** **€m**	**+3 months** **€m**	**- 3 months** **€m**
Land and Development	(21)	(10)	11
Investment Property	(14)	(7)	7
Total	**(35)**	**(17)**	**18**

31 December 2020 **Sector**	**+6 months** **€m**	**+3 months** **€m**	**- 3 months** **€m**
Land and Development	(26)	(13)	13
Investment Property	(15)	(7)	8
Total	**(41)**	**(20)**	**21**

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Categories of financial assets and financial liabilities

Financial assets and liabilities are categorised in accordance with IFRS 9 as follows:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

Financial assets Group 31 December 2021	Amortised Cost €'000	FVTPL €'000
Cash and cash equivalents	748,396	-
Debtor loans	-	714,861
Investments in equity instruments	-	21,879
Other assets	3,877	-

Financial liabilities Group 31 December 2021	Amortised Cost €'000	FVTPL €'000
Other liabilities	27,796	-

Financial assets Group 31 December 2020	Amortised Cost €'000	FVTPL €'000
Cash and cash equivalents	417,669	-
Cash placed as collateral with the NTMA	3,000	-
Exchequer Notes	875,000	-
Derivative financial instruments	-	254
Debtor loans	-	850,081
Investments in equity instruments	-	13,381
Other assets	1,303	-

Financial liabilities Group 31 December 2020	Amortised Cost €'000	FVTPL €'000
Derivative financial instruments	-	26
Other liabilities	29,920	-

Financial assets Agency 31 December 2021	Amortised Cost €'000	FVTPL €'000
Cash and cash equivalents	33	-
Intergroup loan	-	514,173
Other assets	15,666	-

25. Fair value of assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Financial liabilities **Agency** **31 December 2021**	**Amortised Cost** **€'000**	**FVTPL** **€'000**
Interest bearing loans and borrowings	52,825	-
Other liabilities	17,946	-

Financial assets **Agency** **31 December 2020**	**Amortised Cost** **€'000**	**FVTPL** **€'000**
Cash and cash equivalents	181	-
Intergroup loan	-	1,479,893
Other assets	13,593	-

Financial liabilities **Agency** **31 December 2020**	**Amortised Cost** **€'000**	**FVTPL** **€'000**
Interest bearing loans and borrowings	53,336	-
Other liabilities	15,532	-

26. Investments in equity instruments

Group	**2021** **€'000**	**2020** **€'000**
Financial assets at fair value through profit or loss	**21,879**	**13,381**

The Group may invest in equity instruments to maximise value and to facilitate the effective delivery of commercial or residential developments. The movement in investments is a combination of fair value movements, redemptions and acquisitions. Fair value movements are primarily driven by movements in the asset value of the underlying funds/companies which is impacted also by distributions made during the year.

The Agency held no investments in equity instruments.

27. Deferred tax

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 and liabilities are attributable to the following items:

	Deferred tax			
Group	**Assets** **€'000**	**Liabilities** **€'000**	**Deferred tax on IFRS 9 transition adjustment** **€'000**	**Total** **€'000**
Balance at 1 January 2021	**1,338**	**(1,674)**	**(8,476)**	**(8,812)**
Movement in the financial year	(201)	(1,462)	4,237	2,574
Balance at 31 December 2021	**1,137**	**(3,136)**	**(4,239)**	**(6,238)**
Balance at 1 January 2020	**1,276**	**(4,838)**	**(12,713)**	**(16,275)**
Movement in the financial year	62	3,164	4,237	7,463
Balance at 31 December 2020	**1,338**	**(1,674)**	**(8,476)**	**(8,812)**

27. Deferred tax (continued)

Movement in deferred tax recognised

Group	Note	2021 €'000	2020 €'000
Movement in deferred tax recognised in the income statement (excluding IFRS 9 transitional adjustment)	15	(1,663)	2,541
Movement in deferred tax recognised in other comprehensive income	16	-	685
Movement in deferred tax recognised in the income statement for IFRS 9 transitional adjustment	15	4,237	4,237
Total movement in deferred tax in the financial year		**2,574**	**7,463**

The Agency has no deferred tax assets or liabilities.

A net deferred tax liability of €6.3m (2020: €8.8m) has been recognised in relation to equity investments, transitional adjustments as well as financial assets measured at FVOCI in 2020. In accordance with accounting standards, deferred tax is recognised where the corresponding entry is accounted for i.e. either in the income statement or in other comprehensive income. With effect from 1 July 2017, any unrealised fair value movements in the derivatives and equity investments held on trading account will no longer be subject to deferred tax as the tax treatment will follow the accounting treatment. Transitional adjustments relating to previous unrealised fair value movements will be brought into the charge to tax over a period of 5 years (or earlier where appropriate) beginning in the prior year. A transitional adjustment has also been recognised on the fair value adjustment to retained earnings following the Group's adoption of IFRS 9. These transitional adjustments are recognised as a charge to the income statement over a five year period following the initial adoption of IFRS 9. A deferred tax credit of €Nil (2020: €685k) has been recognised in other comprehensive income relating to deferred tax on the financial assets measured at FVOCI.

28. Other assets

Group	2021 €'000	2020 €'000
Tax prepaid	3,618	1,738
Prepayments	1,045	1,567
Right of use asset	5,694	3,668
Deferred costs	-	1,098
Other assets	1,332	1,303
Other receivables	2,545	-
Total other assets	**14,234**	**9,374**

All other assets apart from the Right of use asset in the Group are current assets.

The Group has recognised a right of use asset for the lease of certain assets in Treasury Dock. Following the temporary change in VAT rates which was effective for the period from 1 September 2020 to 28 February 2021 an adjustment of €15k was recognised against the right of use asset for the associated lease cashflow changes. In May 2021, NAMA exercised the option to extend the leases of certain floors in Treasury Dock until the end of 2025. The cost of the right of use asset was increased by €4.3m for the lease extensions.

28. Other assets (continued)

Group	Office Space 2021 €'000	2020 €'000
Cost		
Balance at 1 January	9,187	10,614
Remeasurement due to exercise of lease extension	4,280	-
Adjustment for lease cashflow change	–	(15)
Surrender of Treasury Building asset	–	(1,412)
Balance at 31 December	**13,467**	**9,187**
Depreciation		
Balance at 1 January	(5,519)	(4,172)
Depreciation charge for the year	(2,254)	(2,759)
Surrender of Treasury Building asset	–	1,412
Balance at 31 December	**(7,773)**	**(5,519)**
Carrying value at 31 December	**5,694**	**3,668**

Agency	2021 €'000	2020 €'000
Costs reimbursable from NALM	15,666	13,593
Total other assets	**15,666**	**13,593**

All other assets of the Agency are current assets.

29. Other liabilities

Group	2021 €'000	2020 €'000
Interest payable on cash and cash equivalents	125	148
Accrued expenses	22,053	20,501
VAT payable	74	1,121
Other liabilities	524	5,538
Lease liabilities	5,020	2,612
Total other liabilities	**27,796**	**29,920**

All other liabilities apart from lease liabilities of the Group are current liabilities. Other liabilities include €0.2m (2020: €5.3m) for a provision for the expected costs associated with the calculation of interest on certain debtor loans.

The Group holds leases in respect of space in Treasury Dock.

29. Other liabilities (continued)

Changes in liabilities arising from financing activities

Group	Lease liabilities 2021 €'000	2020 €'000
As at 1 January	2,612	4,798
Cash flows		
- Payment of lease liabilities	(1,893)	(1,893)
Non-cash changes	4,301	(293)
At the end of the year	**5,020**	**2,612**

Agency	2021 €'000	2020 €'000
Amounts due to the NTMA	7,760	6,046
Amounts due to Group entities	10,150	9,448
Other liabilities	36	38
Total other liabilities	**17,946**	**15,532**

All other liabilities in the Agency are current liabilities.

30. Tax payable

Group	2021 €'000	2020 €'000
Professional services withholding tax and other taxes payable	606	722
Total tax payable	**606**	**722**

31. Commitments and contingent liabilities

(a) Contingent liabilities

At the reporting date, NAMA is party to a number of on-going legal cases, as part of its ordinary course of business. The possible outflow of economic resources cannot be reliably estimated and therefore no further disclosure is being made.

The Group has issued guarantees and letters of comfort at the reporting date but as the possible outflow of economic resources cannot be reliably estimated no further disclosure is being made.

(b) Commitments

The undrawn loan commitments of the Group at the reporting date are set out in Note 24.3.

The Group holds leases with the NTMA for occupancy of Treasury Dock with a 4 year term which commenced in May 2018. These leases can be terminated with 12 months advance notice during the lease term. After the initial 4 year term, a 12 month rolling extension is possible by mutual agreement between the NTMA and NAMA. In May 2021, NAMA exercised the option to extend the leases of certain floors in Treasury Dock until the end of 2025. The future minimum lease payments are set out in the following tables:

Group	2021 €'000	2020 €'000
Less than one year	1,469	1,893
Between one and five years	3,555	753
Total future minimum lease payments	**5,024**	**2,646**

Other operating leases

Future minimum operating lease rental receipts relating to the investment properties owned by the Group are set out in the following table:

Group	2021 €'000	2020 €'000
Less than one year	14,420	13,343
Between one and five years	57,678	53,373
More than five years	145,488	148,677
Total future minimum operating lease receipts	**217,586**	**215,393**

Operating lease receivables comprise leases held by NARPS

Operating leases in NARPS relate to the investment properties owned by the Company with lease terms of 20 years and 9 months at origination. Lessees have an option to purchase the units of property at the open market value of the property, discounted by 10%, for a period of 6 months commencing on the fourteenth year of the lease term. NARPS is responsible for the structural repair of any damage to the investment properties which has not been caused by the lessee or sub-lessee.

The Agency has no future minimum operating lease rental receipts.

32. Interest bearing loans and borrowings

Agency	2021 €'000	2020 €'000
Loan due to NALM and related interest	**52,825**	**53,336**

On 25 February 2011, NALM, a Group entity, issued an interest bearing loan of €52m to NAMA. The purpose of the loan was to provide funding from the Group to NAMA to repay a loan of €49m and accrued interest to the Central Fund. Interest is based on the 6 month Euribor rate. The loan term is extended annually on 25 February unless terminated as agreed between the parties. The Group has no external loans or borrowings.

Due to the Euribor rate being negative during the year, negative interest income of €0.27m (2020: €0.18m) was recognised on the loan (refer to Note 6).

During the year ended 31 December 2021, there was no changes in the Agency on liabilities arising from financing activities (2020: €Nil).

33. Reconciliation of reserves

Group	2021 €'000	2020 €'000
Retained earnings		
At 1 January	2,583,578	4,453,366
Profit for the financial year	195,252	191,998
Dividend paid on B ordinary shares	–	(34)
Coupon paid on subordinated bonds	–	(56,009)
Transfer of surplus to the Exchequer	(1,000,000)	(2,000,000)
Capped return paid to private investors	–	(5,100)
Transaction costs	–	(643)
At 31 December	**1,778,830**	**2,583,578**

Agency	2021 €'000	2020 €'000
Retained earnings		
At 1 January	1,530,495	3,530,591
Profit/(loss) for the financial year	34,302	(96)
Transfer of surplus to the Exchequer	(1,000,000)	(2,000,000)
At 31 December	**564,797**	**1,530,495**

During 2021, NAMA completed payments totalling €1bn (2020: €2bn) to the Exchequer representing transfers of NAMA projected lifetime surplus.

On 27 March 2020, the Board of NAMAI declared and approved a dividend payment based on the ten year Irish government bond yield as at 31 March 2020. The dividend was paid to the holders of B ordinary shares of NAMAI only, the private investors, who held a 51% ownership in the Company at that date. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which had a 49% ownership in the Company. The dividend payment was €0.00067 per share amounting to €0.034m.

In February 2020, the Board of NAM resolved that it was appropriate, in the context of NAMA's overall aggregate financial performance and objectives, that the annual coupon on the subordinated bonds of €56.01m due on 1 March 2020 be paid. While in existence, the subordinated bonds were classified as equity in the statement of financial position, and related payments thereon classified as coupon payments and recognised in equity. On 1 March 2020, NAMA called the subordinated bonds on their first call date and all the remaining bonds of €1.064bn were fully redeemed on 2 March 2020.

On 26 May 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m. The consideration for the exercise of the option was fixed at 110% of the Private Investor's share capital. The amount of consideration paid included a capped return of €5.1m.

Transaction costs of €643k were incurred on the purchase of the private investors' shareholding (primarily stamp duty) (€596k) and the redemption of the subordinated bonds (€47k). In line with IAS 32, these costs are deducted from equity as they are incremental costs directly attributable to the transactions.

34. Shares and investments in group undertakings

NAMAI has €100m in share capital. On incorporation in 2010, NAMA invested €49m, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAI by private investors, each receiving an equal share of 51 million B ordinary shares. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA could exercise a veto over decisions taken by NAMAI. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity was restricted and NAMA had effective control of NAMAI. On 26 May 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m being €51m of their investment plus a capped return of 10%. This payment increased NAMA's interest in the NAMA Group entities from 49% to 100%.

34.1 Subsidiaries

The NAMA Group structure is set out in Note 1 to the Financial Statements. The subsidiary undertakings and percentage ownership of NAMA in those subsidiaries are as follows:

Group Subsidiary	Percentage ownership	Percentage voting rights	Principal Activity	Country of incorporation
National Asset Management Agency Investment D.A.C.	100%	100%	Holding company and lending	Ireland
National Asset Management D.A.C.	100%	100%	Debt issuance	Ireland
National Asset Management Group Services D.A.C.	100%	100%	Holding company, securitisation and asset management	Ireland
National Asset Loan Management D.A.C.	100%	100%	Asset management	Ireland
National Asset North Quay D.A.C.	100%	100%	Acquisition of certain property assets in settlement of debt owed to NAMA	Ireland
National Asset Property Management D.A.C.	100%	100%	Real estate	Ireland
National Asset Management Services D.A.C.	100%	100%	Holding company for shareholding in a general partnership	Ireland
National Asset JV A D.A.C.	100%	100%	Investments	Ireland
National Asset Residential Property Services D.A.C.	100%	100%	Provision of residential properties for the purposes of social housing	Ireland
National Asset Leisure Holdings Limited (in Voluntary Liquidation)	100%	100%	Holding company	Ireland
RLHC Resort Lazer SGPS, S.A.	100%	100%	Facilitate legal restructure	Portugal
RLHC Resort Lazer II SGPS, S.A.	100%	100%	Facilitate legal restructure	Portugal

At the reporting date, all subsidiaries have their registered offices in Treasury Dock, North Wall Quay, Dublin 1, with the exception of RLHC and RLHC II. The registered office of RLHC and RLHC II is Rua Garrett, n.º 64, 1200-204 Lisbon, Portugal.

34.2 Investment in subsidiaries

Agency	2021 €'000	2020 €'000
100,000,000 shares in NAMAI	**105,696**	**105,696**

In 2010, the Agency made an investment of €49m in NAMAI. On 26 May 2020, the Agency exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m being €51m of their investment plus a capped return of 10%.

The Agency has considered whether there is evidence of the existence of impairment of its investment in NAMAI under IAS 36 Impairment of Assets. The Agency is satisfied that there are no indicators of impairment.

34. Shares and investments in group undertakings (continued)

34.3 Details of non-consolidated subsidiaries

National Asset Leisure Holdings Limited (in Voluntary Liquidation)

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

The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into liquidation on 18 December 2014. The control of NALHL (in Voluntary Liquidation) is with the liquidator who will realise the assets of the Company. There was no change during 2021 in the status of NALHL (in Voluntary Liquidation).

As the liquidator has assumed the rights of the shareholder and now controls NALHL (in Voluntary Liquidation), NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, are not consolidated into the results of the NAMA Group.

NAMA received dividends of €550k from NALHL (in Voluntary Liquidation) during 2021.

See Note 36.6 for details of the assets held by these companies.

35. Related party disclosures

The related parties of the Group comprise the following:

Subsidiaries

Details of the interests held in NAMA's subsidiaries are given in Note 34.1 and Note 1 to the financial statements. PV, PB and PWH ceased to be ceased to be NAMA Group entities on 4 June 2021. NASLLC was dissolved and ceased to be a NAMA group entity of 21 October 2021.

NTMA

The NTMA provides staff, finance, communication, technology, risk and human resources services to NAMA. The costs incurred by the NTMA are charged to NAMA (the Agency) on an actual cost basis and the Agency is reimbursed by the Group. The total of these costs for the year was €29.5m (2020: €32.0m), with a closing payable balance to the NTMA of €7.8m at end-2021 (2020: €6.0m). Further details in respect of these costs are disclosed in Note 13. The NTMA was the counterparty for NAMA's derivative positions in its management of foreign exchange. NAMA was required to post cash collateral with the NTMA under a Collateral Posting Agreement (CPA) to reduce the NTMA's exposure to NAMA derivatives. NAMA acquires Exchequer Note investments that are held with the NTMA. NAMA held no Exchequer Notes (2020: €875m) with the NTMA at the reporting date (see Note 17).

During the year, NAMA incurred costs of €100 (2020: €100), payable to the State Claims Agency. The closing payable balance to the State Claims Agency at end-2021 was €Nil (2020: €39).

The Group has agreed terms with the NTMA with regard to the lease of Treasury Dock. The agreement is effective from May 2018 for a lease term of 4 years. In May 2021, NAMA exercised the option to extend the leases of certain floors in Treasury Dock until the end of 2025. The rent and occupancy as disclosed in Note 13 includes a deprecation charge on the right of use assets with regard to these leases of €2.3m (2020: €2.8m) and shared facilities costs of €0.7m (2020: €1m). The amount included in the lease liabilities in Note 29 with regard to this lease is €5.0m (2020: €2.6m). The amount included in the right of use assets in Note 28 with regard to this lease is €5.7m (2020: €3.7m).

NTMA Defined Benefit Pension Scheme

All staff are employed by the NTMA and the NTMA contributes to the NTMA Defined Benefit Pension Scheme on behalf of its employees. The pension scheme is controlled and managed by independent trustees as appointed by the NTMA. As part of the consideration for the provision of staff, the Group has made a payment of €2.2m (2020: €2.6m), representing the refund of the NTMA's contribution to the pension scheme in respect of these NAMA Officers.

35. Related party disclosures (continued)

Minister for Finance

The Minister for Finance (the Minister) established NAMA under the NAMA Act 2009. Sections 13 and 14 of the Act grant certain powers to the Minister in relation to NAMA. Section 13 provides that the Minister may issue guidelines to NAMA for the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is required to have regard to any such guidelines in performing its functions. Section 14 provides that the Minister may issue directions to NAMA concerning the achievement of the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is obliged to comply with any such direction. The effect of these statutory provisions is that the Minister has the ability to exercise significant influence over NAMA.

Participating Institutions

During 2010, a number of legislative measures were enacted that gave the Minister rights and powers over certain financial institutions in respect of various matters of ownership, board composition, acquisition or sale of subsidiaries, business activity, restructuring and banking activity. The Participating Institutions also agreed to consult with the Minister prior to taking any material action which may have a public interest dimension.

Participating Institutions are credit institutions that were designated by the Minister, under Section 67 of the Act, as a Participating Institution. The Participating Institutions that have transferred loan assets to NAMA as at the reporting date are Allied Irish Banks p.l.c (incorporating EBS) and Bank of Ireland.

The Group issued senior and subordinated securities and transferred them to the Participating Institutions in return for loan assets. Transactions with Participating Institutions are disclosed in the financial statements primarily under Note 19, Debtor loans measured at FVTPL and the related Income Statement notes. No loans were sold to participating institutions during 2021 or 2020.

The Group has operating accounts with Allied Irish Banks p.l.c. that have a balance of €8.5m (2020: €8.7m) at the reporting date. The average closing daily balance throughout the year was €11.5m (2020: €11.5m).

Fees payable to the Participating Institutions with respect to loan servicing costs incurred during the year are as follows:

Loan servicing costs	2021 €'000	2020 €'000
Allied Irish Banks p.l.c.	2,232	2,304
Bank of Ireland	234	242
	2,466	**2,546**

Key management personnel

The Agency is controlled by the NAMA Chief Executive Officer and the Board. The Chief Executive Officer of the NTMA is an ex-officio member of the Board. The Chief Executive Officer and Board have the authority and responsibility for planning, directing and controlling the activities of NAMA and its subsidiaries and therefore are key management personnel of NAMA. Fees paid to Board members are disclosed in Note 13. The Group has no employees.

Under the revised Code of Practice for the Governance of State Bodies (2016), Key Management Personnel is defined as management who report directly to the Chief Executive Officer. At the reporting date, NAMA has four (2020: four) key management staff who report to the Chief Executive Officer. During 2021, NAMA had four key management staff who reported to the Chief Executive (2020: five). The aggregate remuneration of the key management personnel is disclosed in Note 13.

35. Related party disclosures (continued)

Transactions with Group entities

The following are the amounts owed to and from related parties at the reporting date. All transactions with related parties are carried out on an arm's length basis.

	2021 €'000	2020 €'000
Other income:		
Group		
Dividend income from NALHL (in Voluntary Liquidation)	550	-
Agency		
Costs reimbursable from NALM	29,463	31,997
Intergroup loan measured at FVTPL:		
Agency		
Profit participating loan to NAM	514,173	1,479,893
Other assets:		
Agency		
Costs reimbursable from NALM	15,666	13,593
Other liabilities:		
Agency		
Amounts due to Group entities	10,150	9,448

Loan due to NALM

An interest bearing loan of €52m was advanced from NALM to the Agency in 2011. Interest is earned on this loan at the six month Euribor rate. During the year, Euribor rates were negative. Negative interest earned on this loan for the year was €0.27m (2020: €0.18m). The balance payable at end-2021 was €53m (2020: €53m).

Intergroup loan agreements

The Group has entered into a number of profit participating loan agreements and intergroup agreements. The balances outstanding at the reporting date are set out in the tables below:

Profit participating loan agreements	2021 €'000	2020 €'000
NAM to NAMGS	1,185,282	1,347,560
NAMGS to NAJV A	24,919	22,621

Intergroup loan agreements	2021 €'000	2020 €'000
NAMAI to NAM	96,740	104,178
NAMGS to NALM	1,166,012	1,324,018
NALM to NARPS	290,389	290,013
NALM to NAPM	100	6,532
NALM to NASLLC	-	1,352
NALM to NANQ	6,095	38,805
NALM to NAJV A	11,248	6,498
NAPM to NALHL (in Voluntary Liquidation)	-	100
NALM to PB	-	159,971
NALM to PWH	-	20,044

36. Supplementary Information provided in accordance with Section 54 of the Act

In order to achieve its objectives NAMA has established special purpose vehicles as outlined in Note 1. These entities prepare and present separate financial statements. In accordance with the requirements of Section 54 of the Act the following additional information is provided, in respect of NAMA and each of its Group entities.

36.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity

The administration fees incurred by NAMA are set out in Note 13. The expenses of each NAMA Group entity that incurs administrative expenses are shown in the tables below. The costs for PV, PB, PWH and NASLLC are included up to the date of leaving the NAMA Group. The expenses of NALM include a recharge of €29.5m (2020: €32.0m) in respect of NTMA costs incurred by the Agency. These costs are also included in the consolidated accounts.

NALM **Expense type**	**2021** **€'000**	**2020** **€'000**
Costs reimbursable to NAMA	29,463	31,996
Primary servicer fees	6,241	6,942
Master servicer fees	873	1,475
Portfolio management fees	1,676	2,785
Legal fees	2,166	8,259
Finance, communication and technology costs	4,892	4,954
Rent and occupancy costs	3,744	4,175
Internal audit fees	570	614
External audit remuneration	583	806
Total NALM administration expenses	**50,208**	**62,006**

NAPM **Expense type**	**2021** **€'000**	**2020** **€'000**
Portfolio management fees	12	3
Finance, communication and technology costs	-	4
Total NAPM administration expenses	**12**	**7**

NASLLC **Expense type**	**2021** **€'000**	**2020** **€'000**
Portfolio management fees	2	(3)
Legal fees	(19)	95
Finance, communication and technology costs	17	10
Total NASLLC administration expenses	**-**	**102**

NAJV A **Expense type**	**2021** **€'000**	**2020** **€'000**
Portfolio management fees	27	32
Legal fees	3	1
Finance, communication and technology costs	-	2
Total NAJV A administration expenses	**30**	**35**

36. Supplementary Information provided in accordance with Section 54 of the Act (continued)

36.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity (continued)

NARPS Expense type	2021 €'000	2020 €'000
Portfolio management fees	175	339
Legal fees	2	13
Finance, communication and technology costs	25	16
Total NARPS administration expenses	**202**	**368**

NANQ Expense type	2021 €'000	2020 €'000
Portfolio management fees	65	75
Legal fees	7	16
Finance, communication and technology costs	12	-
Total NANQ administration expenses	**84**	**91**

PV Expense type	2021 €'000	2020 €'000
External audit remuneration	-	6
Total PV administration expenses	**-**	**6**

PB Expense type	2021 €'000	2020 €'000
Portfolio management fees	62	115
External audit remuneration	-	10
Total PB administration expenses	**62**	**125**

PWH Expense type	2021 €'000	2020 €'000
Costs reimbursable to PB	4	8
External audit remuneration	-	10
Total PWH administration expenses	**4**	**18**

RLHC Resort Lazer SGPS, S.A. (RLHC) Expense type	2021 €'000	2020 €'000
Professional services	28	34
Total RLHC administration expenses[7]	**28**	**34**

RLHC Resort Lazer II SGPS, S.A. (RLHC II) Expense type	2021 €'000	2020 €'000
Professional services	6	7
Total RLHC II administration expenses[7]	**6**	**7**

7 *These amounts are estimated based on 31 December 2020 audited accounts, pending final 2021 year-end audited accounts being provided. The 2020 comparatives were based on 31 December 2019 audited accounts. As set out in Note 34.3, these investments are not consolidated into the NAMA Group financial statements.*

36. Supplementary Information provided in accordance with Section 54 of the Act (continued)

36.2 Debt securities issued for the purposes of the Act

All subordinated debt securities were fully redeemed in 2020.

36.3 Debt securities redeemed in the financial period to the Financial Institutions

36.3.1 Government guaranteed senior debt securities

All government guaranteed senior debt securities were fully redeemed in 2017.

36.3.2 Subordinated debt securities held

All outstanding subordinated debt securities were fully redeemed in 2020.

36.4 Advances to NAMA from the Central Fund in the financial year

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

36.5 Advances made by NAMA to debtors via Participating Institutions in the financial year

The following are advances made by NAMA group entities to debtors via Participating Institutions in the financial year.

Participating Institution/Servicer	Amount advanced 2021 €'000	Amount advanced 2020 €'000
AIB	133,327	241,018
BCM Global ASI Limited (formerly Link Asset Services)	3,190	3,724
Total	**136,517**	**244,742**

In addition to the above, cash advances of €5,635k were made by NAMA group entities by way of shareholder loans in 2021 (2020: €2,740k).

36.6 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.

NAMA	2021 €'000	2020 €'000
Investment in NAMAI	105,696	105,696
Cash and cash equivalents	33	181
Interest receivable on loan to NAM	514,173	1,479,893
Intergroup receivable	15,666	13,593
Total	**635,568**	**1,599,363**

NAMAI	2021 €'000	2020 €'000
Intergroup loan to NAM	96,702	99,900
Interest on intergroup loan	38	4,278
Cash and cash equivalents	151	188
Debtor loans	4,320	-
Other assets	5	6
Total	**101,216**	**104,372**

36. Supplementary Information provided in accordance with Section 54 of the Act (continued)

36.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

NAM	2021 €'000	2020 €'000
Cash and cash equivalents	5,000	-
Profit participating loan with NAMGS	994,969	994,969
Interest on profit participating loan	190,313	352,591
Total	**1,190,282**	**1,347,560**

NAMGS	2021 €'000	2020 €'000
Cash and cash equivalents	198	210
Intergroup loan with NALM	1,001,898	1,002,321
Profit participating loan with NAJV A	24,919	22,621
Interest receivable on loans	164,114	321,697
Other assets	-	1,098
Total	**1,191,129**	**1,347,947**

NALM	2021 €'000	2020 €'000
Cash and cash equivalents	733,555	386,329
Cash placed as collateral with the NTMA	-	3,000
Exchequer Notes	-	875,000
Derivative financial instruments	-	254
Debtor loans	693,095	830,227
Intergroup assets	372,193	580,229
Investments in equity instruments	5,044	4,846
Other assets	13,083	6,852
Total	**1,816,970**	**2,686,737**

NANQ	2021 €'000	2020 €'000
Cash and cash equivalents	6,300	28,164
Debtor loans	-	14
Inventories – trading properties	-	2,317
Other assets	3	-
Tax prepaid	-	6
Total	**6,303**	**30,501**

36. Supplementary Information provided in accordance with Section 54 of the Act (continued)

36.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

NAPM	2021 €'000	2020 €'000
Cash and cash equivalents	675	124
Inventories – trading properties	100	100
Intergroup receivable	-	8
Other assets	-	100
Total	**775**	**332**

NARPS	2021 €'000	2020 €'000
Cash and cash equivalents	2,253	2,205
Investment properties	314,000	292,001
Other assets	1,366	1,284
Total	**317,619**	**295,490**

NAJV A	2021 €'000	2020 €'000
Cash and cash equivalents	231	268
Investments in equity instruments	16,835	8,535
Debtor loans	17,446	19,840
Deferred tax	-	109
Total	**34,512**	**28,752**

NALHL (in Voluntary Liquidation)	2021 €'000	2020 €'000
Investment in subsidiaries[8]	**338**	**1,763**

RLHC Resort Lazer SGPS, S.A. (RLHC)	2021 €'000	2020 €'000
Investment in subsidiaries[8]	**215**	**1,601**

RLHC Resort Lazer II SGPS, S.A. (RLHC II)	2021 €'000	2020 €'000
Investment in subsidiaries[8]	**123**	**162**

8 *These amounts are estimated based on 31 December 2020 audited accounts, pending final 2021 year-end audited accounts being provided. The 2020 comparatives were based on 31 December 2019 audited accounts. As set out in Note 34.3, these investments are not consolidated into the NAMA Group financial statements.*

36. Supplementary Information provided in accordance with Section 54 of the Act (continued)

36.7 Government support measures, including guarantees, received by NAMA and each NAMA Group entity

Entity	Description	Amount in issue at 31 December 2021 €'000	Amount in issue at 31 December 2020 €'000
National Asset Management	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51.3bn.	-	-

37. Capital management

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. The Group's objectives when managing capital in its statement of financial position are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business;
- To distribute any surplus to the Exchequer from time to time.

The Group's capital base comprises Share Capital (Note 34).The Group is not subject to any externally imposed capital requirements.

38. Events after the reporting date

There are no significant events after the reporting date affecting the Group.

39. Approval of the financial statements

The financial statements were approved by the Board and authorised for issue on 20 April 2022.

GLOSSARY OF TERMS

Collateral A borrower's pledge of specific property to a lender, to be forfeited in the event of default.

Counterparty The party with whom a contract or financial transaction is effected.

Current Market Value The estimated amount for which a property would exchange between a willing buyer and seller in an arm's-length transaction.

Debtor A borrower, whose loans were deemed eligible and those loans have transferred to the Group. The borrower is referred to by the Group as a debtor. A debtor connection is a group of loans that are connected to a debtor.

Derivative A derivative is a financial instrument that derives its value from an underlying item e.g. interest rates or currency and can be used to manage risks associated with changes in the value of the underlying item.

Discount Rate The rate used to discount future cash flows to their present values.

Due Diligence A comprehensive appraisal of a business especially to establish the value of its assets and liabilities. There are two types of due diligence carried out by the Group, Legal and Property due diligence.

Enforcement Proceedings Proceedings to compel compliance with legal contracts.

Equity Instrument Any contract that results in a residual interest in the assets of an entity after deducting all of its liabilities.

Euribor The Euro Interbank Offered Rate is the rate at which euro interbank deposits are offered by one prime bank to another within the Eurozone.

Floating Rate An interest rate that changes periodically as contractually agreed.

Garden Leave A period of time, typically the notice period, where an employee leaving NAMA may be relieved from duty as an officer of NAMA until the expiry of their notice period. During any period of garden leave the NTMA continues to pay remuneration until the expiry date of the notice period.

Hedge Entering into an agreement to manage the risks of adverse changes in the price of an asset or liability.

Inventories Properties acquired by NAMA and held on its statement of financial position.

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

Loan commitments Balance of credit NALM has committed to extend to customers.

Mark to Market Value The price or value of a security, portfolio or account that reflects its current market value rather than its book value.

OTC Over the Counter refers to derivatives that are not traded on a recognised exchange.

Participating Institution A Credit Institution that has been designated by the Minister under Section 67 of the Act as a Participating Institution, including any of its subsidiaries that has not been excluded under that section.

Present Value A value on a given date of a future payment or series of future payments, discounted to reflect the time value of money and other factors such as investment risk.

Primary Servicer A Participating Institution managing debtors on NAMA's behalf within authority limits approved by the NAMA Board.

Profit Participating Loan A loan that provides the lender with a return that depends, at least in part, on the profitability of the borrower.

Security Includes *(a)* a Charge, *(b)* a guarantee, indemnity or surety, *(c)* a right of set-off, *(d)* a debenture, *(e)* a bill of exchange, *(f)* a promissory note, *(g)* collateral, *(h)* any other means of securing— *(h)*(i) the payment of a debt, or *(h)*(ii) the discharge or performance of an obligation or liability, and *(i)* any other agreement or arrangement having a similar effect.

Special Purpose Vehicle A legal entity created to fulfil a narrow, specific or temporary well defined objective.

Subordinated Debt Debt which is repayable only after other debts have been repaid.

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