National Asset Management Agency

2013

ANNUAL REPORT AND FINANCIAL STATEMENTS

National Asset Management Agency

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Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

9 May 2014

Mr. Michael Noonan 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 2013.

Yours sincerely,

Frank Daly
Chairman

Brendan McDonagh
Chief Executive

KEY OBJECTIVES SET BY THE NAMA BOARD

1. Over the projected, ten-year life of the National Asset Management Agency ('NAMA' or 'the Agency'), redeem, at minimum, the Senior Bonds issued as consideration for loans in addition to recovery of carrying costs and working and development capital expenditure advanced to debtors[1].

2. Consistent with the first objective, generate transactions which will aim to contribute to a renewal of sustainable activity in the property market in Ireland.

3. Meet its commercial objective (as at 1 above) over the shortest possible time span, having regard to market conditions and to optimising the realised value of its assets. Meet all of its future commitments out of its own resources.

4. Consistent with the first objective, aim to contribute to the social and economic development of the State[2].

5. Manage assets intensively and invest in them so as to optimise their income-producing potential and disposal value.

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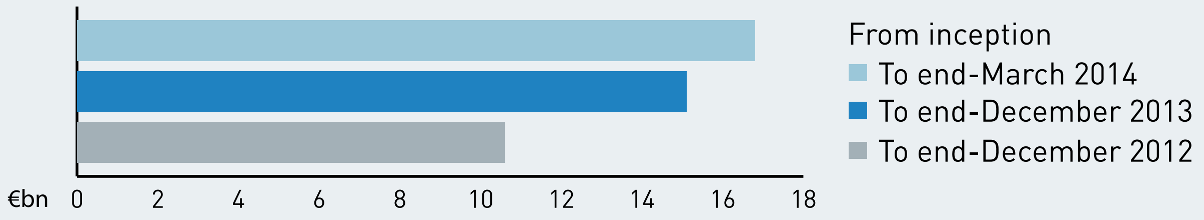
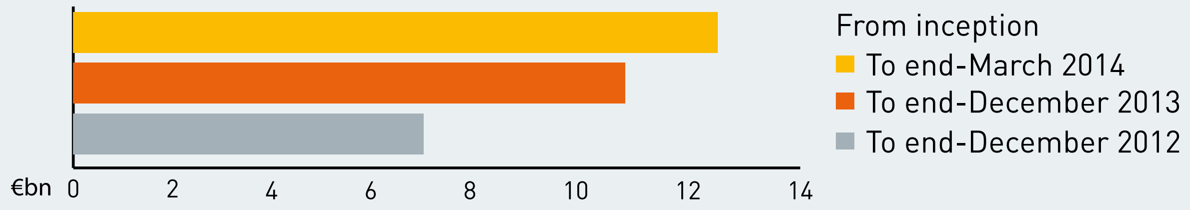
1 *Section 10 (2) of the Act.*
2 *Section 2 (b) (viii) of the Act.*

FINANCIAL HIGHLIGHTS

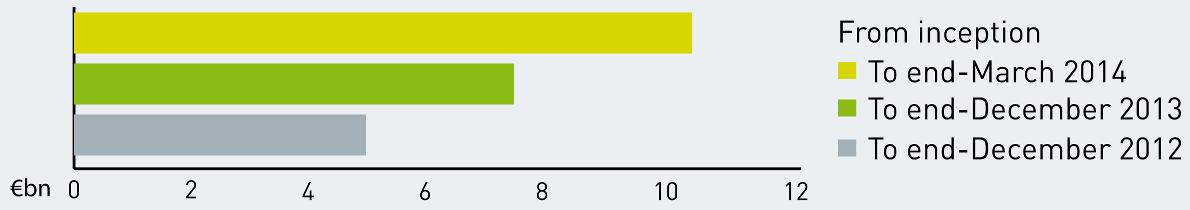
Total cumulative cash generated



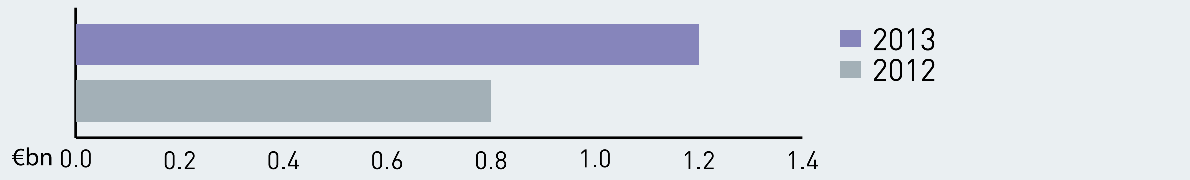
Cumulative disposal receipts



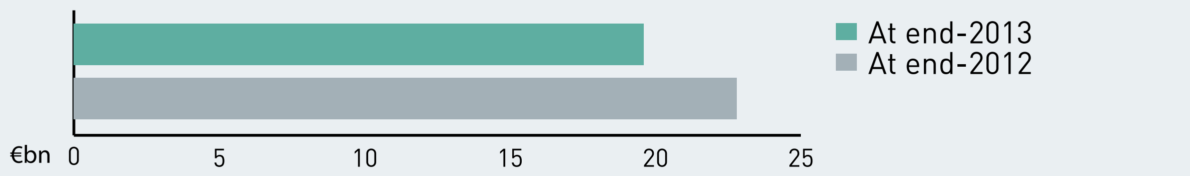
Cumulative NAMA bond redemptions



Operating profit before impairment



NAMA Loans and receivables (net of impairment)



CHAIRMAN'S STATEMENT

2013 was a landmark year for Ireland, not least in that it marked our exit from the Troika Programme and our return to the long-term sovereign bond markets. It was also a landmark year for NAMA. We successfully passed our first milestone by paying down 25% of NAMA Senior Bonds (€7.5 billion) in full and on schedule.

This was a key target for NAMA and was one of the Troika milestones that had to be fulfilled. Meeting it highlights the real progress that the Agency and Ireland is making in managing and reducing our liabilities.

This progress has continued in 2014 and is demonstrated by very substantial NAMA loan and asset sales in Ireland in the early part of the year. We are increasingly confident that we will complete our work on behalf of taxpayers earlier than the 2020 date originally envisaged. Indeed, subject to the outcome of portfolio and asset sales currently underway, we aim to have as much as half of our Senior Bonds repaid by the end of 2014 – a full two years ahead of schedule. This would have been unthinkable 12 months ago and reflects the successful strategies pursued by NAMA and the remarkable rebound in sentiment towards Ireland on the part of international capital.

This is very important for taxpayers. NAMA paid €31.8 billion for the loans it acquired and €30.2 billion of this was Senior Bonds guaranteed by the State – a contingent liability on taxpayers. When NAMA was first set up, some expressed concern that it would cost the State billions of euro because, it was suggested, the assets that NAMA needed to sell would not realise enough cash to repay the Senior Bonds. From where we stand today, it is our strong expectation that NAMA will not cost the taxpayer a cent and we are aiming to generate a surplus over our lifetime through a phased and orderly disposal of our assets. By meeting and exceeding our own strategic targets, we have also contributed to building confidence in Ireland's recovery and to the international perception that Ireland is, once again, a good location in which to do business and to invest.

GENERATING STRONG CASH FLOWS

In his Statement, the Chief Executive outlines the significant progress made in 2013 in terms of generating cash from disposals and from assets and the profit generated by NAMA's activities over the course of the year. By the end of 2013, less than four years after the first set of loan transfers, NAMA had generated €15 billion in cash, excluding receipts from the liquidation of Irish Bank Resolution Corporation Limited ('IBRC'). By end-March 2014, exactly four years after the first loans transferred to NAMA, total cash generated stood at €16.8 billion and included receipts from the sale of assets and loans of €12.4 billion.

A welcome feature of 2013 activity was the resurgence in the Irish commercial market. When conditions were more favourable in Britain, particularly London, in 2011 and 2012, we took advantage by selling assets at yields that typically fell into the 3%-5% range. With conditions

€16.8 billion
Total cash generated by end-March 2014

€600 million
Invested in commercially viable projects in NAMA's Irish portfolio

15,000 jobs
sustained since 2010

now improving in Ireland, our options in terms of asset disposals have expanded in line with greater investor demand. We intend to ensure that there is a steady supply of assets reaching the market to meet that demand. Part of our job is to provide a clear signal of pipeline activity to the market. We have given a commitment that, in each quarter, we will offer for sale packaged transactions with a minimum value of €250m. That will be in addition to the sale of individual properties by debtors and Receivers and the sale of loan portfolios. All key market participants - home buyers, debtors, investors and those working in the Irish construction industry as well as NAMA - want to see transactions taking place and confidence and liquidity restored in a properly functioning and sustainable property market and, in that context, 2013 may well prove to have been a pivotal year.

INVESTING IN THE IRISH ECONOMY

In addition to repaying debt, we are using our cash reserves prudently and commercially to add further value to our portfolio and this will have benefits throughout the wider economy. We have invested €600m in commercially viable projects in our Irish portfolio and have committed to investing at least €2.5 billion in total development funding in Ireland by end-2016 if suitable commercial opportunities present themselves. Examples of projects that we are funding are included in this Report.

This investment facilitates NAMA in delivering a commercial return for taxpayers but it also generates substantial employment during the construction and fit-out phases of projects. Government and industry studies indicate that investment on the scale envisaged by NAMA could contribute up to 30,000 construction and associated jobs in the Irish economy in the period out to 2016.

NAMA is playing an important role therefore in getting people back to work in construction and in supporting Government policy aimed at a vibrant and sustainable construction industry. This is in addition to the estimated 15,000 people whose jobs have been sustained since we acquired our debtors' loans in 2010; we provided support to those debtors' businesses during very difficult economic circumstances.

NAMA's investment will also convert undeveloped and unfinished sites into completed developments. The offices, houses, apartments and retail space that we are funding will be assets of real value to the Irish economy, whether in terms of facilitating businesses which wish to create jobs or people wishing to buy homes. In this respect, our investment is aligned with the IDA's work in attracting investment and jobs into Ireland and aims at reinforcing and delivering on national planning policy in terms of where development should be prioritised.

The work that we are doing in relation to the Dublin Dockland's Strategic Development Zone ('SDZ') is a good example of this. NAMA expects to finance significant new development in the SDZ over the medium-term, particularly of commercial office space, to facilitate the expansion of the financial services and ICT sectors in Ireland, both of which have significant clusters in the Dublin Docklands, and to facilitate also the creation of new employment hubs. To put the scale of potential investment in context: the SDZ envisages the development of over 3.5m sq. ft. of commercial office space and some 2,600 residential units. NAMA has an exposure to about 70% of the total undeveloped area of the SDZ and will be involved, either as a funder or more directly through joint ventures and other mechanisms, in delivering much of this. On the assumption of an early adjudication on the scheme by An Bord Pleanála - hopefully by mid-2014 - we could see the first cranes appearing in the SDZ area by the first quarter of 2015.

NAMA is also focused on delivering new housing. In relation to both unfinished housing units and new development, we expect to fund the completion of approximately 4,500 residential properties in Dublin over the period up to the end of 2016. This is a significant contribution considering that just over 1,200 housing units were completed in Dublin in 2013.

We are also looking at the scope for NAMA funding and facilitating the provision of residential units in the period after 2016. Given the lead-in time required to deliver future housing needs, clearly much of the preparatory work in terms of securing suitable planning permissions will have to be done sooner rather than later. We have already started on this.

SUPPORTING BUSINESS

In addition to the 15,000 jobs we are supporting in businesses linked to our loans - jobs in property, hotel and leisure, retail, healthcare, manufacturing and agriculture - we are also directly supporting small and medium businesses in the retail sector. To date, NAMA has approved rent abatements with an annual aggregate value of €20m and rent reliefs in excess of €40m to retailers. Whilst this represents a significant cost to NAMA, we believe it is more than offset by the longer-term benefits for the economy of ensuring that tenants remain in business and that jobs are safeguarded.

These initiatives are very important to NAMA. Whilst we have debts to collect on behalf of Irish taxpayers, we are much more than a debt collection agency. We are well aware that the funds that we provide to our debtors and Receivers and our work in areas such as rent abatements, quite apart from enhancing the value of assets in our portfolio, generate economic activity and create substantial Irish employment.

MAKING A WIDER CONTRIBUTION

I would also like to mention our contribution on social housing. In this Report, we provide detail on our work with the Department of the Environment, Community and Local Government ('DECLG'), local authorities and approved housing bodies to provide homes to help meet the needs of applicants on social housing waiting lists. Whilst NAMA has a finite exposure to the type and location of properties that may be suitable for social housing, we are making a real contribution in this area and will continue to do so. There can often be obstacles to delivery which we work assiduously to overcome but we are not alone in this respect; we rely on the work of others such as the Housing Agency, the approved housing bodies, the local authorities, DECLG and, of course, on the debtors and Receivers who control the properties. We are also working with Government departments and statutory bodies to deliver suitable land and property for schools, health care facilities, community and recreational and other uses.

CONCLUSION

During Christmas week of 2009, I accepted the invitation of the former

Minister for Finance, the late Mr. Brian Lenihan, to become Chairman of NAMA. At that stage, I could not have had a full appreciation of the energy, intensity and resilience that the task would require or of the scale of market failure with which we would be faced subsequently. There were times, indeed, when it appeared as if the darkness would never lift.

But now, without wishing to attract charges of complacency, it appears that we may have turned the corner. The Dublin commercial market has become very active, buoyed by international investors who are convinced that the most difficult phase of our economic recovery has been successfully surmounted and who now see Ireland in terms of a strong recovery trajectory. The Dublin residential market has also seen an upsurge in demand from buyers previously unsure that the market had reached its nadir. We would expect that markets in other cities would also progressively improve as the impact of economic growth radiates throughout the wider economy this year and into the medium-term and as domestic investors participate more fully in the opportunities afforded by recovery.

From a standing start in late 2009, with just a few staff, NAMA now has over 370 high calibre staff with expertise in a range of disciplines, including finance, banking, property and law. The achievements recorded in this Report are a testament to those staff, to the senior management in NAMA, most ably led by the CEO, the committees and to its Board. I would like to take the opportunity to thank former Board members, Steven Seelig, Éilish Finan and John Mulcahy, for their contribution to the work of the Board over the past four years.

In everything we do, we are conscious that our primary obligation is to Irish taxpayers and I would hope that this is evident in the broad range of activities described in this Report. I am now more confident than ever that NAMA, by maintaining a phased and orderly approach, will achieve not only its primary commercial objective of repaying its liabilities and recovering its costs (and possibly producing a surplus) but will also make a significant contribution more generally to the Irish economy, both in terms of job creation and of wider public policy objectives such as the provision of housing.

CHIEF EXECUTIVE'S STATEMENT

2013 represented a year of substantial progress for NAMA and for the Irish property market which is where 56% of the property exposure securing our residual loan book is located. More specifically, 92% of NAMA's Irish portfolio is located in Dublin, in the counties contiguous to Dublin and in Cork, Limerick and Galway and it is in these areas that demand for commercial and residential assets has emerged most strongly over the past year.

In 2013, we achieved our first major debt redemption milestone – the repayment of €7.5 billion of the €30.2 billion of Senior Bonds that we issued to acquire our original portfolio of bank loans in 2010 and 2011. Excluding cash receipts arising from the IBRC liquidation, we generated cash proceeds of €4.5 billion in 2013. From inception to the end of 2013, NAMA had overseen the sale of €10.9 billion worth of loans and property and other assets held as security, including the sale of over 10,000 individual properties in Ireland and Britain. And in 2013, for the third year in succession, despite a prudent impairment policy, we generated a profit on our activities.

NAMA has again recorded a significant impairment charge: €914m in 2013 (2012: €518m). This reflects a robust and realistic impairment assessment of our loan portfolio undertaken at end-2013, comprising a line-by-line review of 85% of the portfolio. The impairment review continues to recognise the full extent of the decline in Irish property prices (approx. 25%) between November 2009 (the reference point for NAMA collateral valuations) and mid-2013. Notwithstanding the fact that 2013 saw the start of a recovery in the Irish property market, there is a normal lag effect between property price recovery and the alleviation of impairment provisioning. NAMA expects that impairment will be much less of a feature in NAMA's results from 2014 onwards.

It may well be that, in time, we will look back on 2013 as the year which marked a turning point in the Irish property cycle. Certainly the scale of activity in the commercial market and the degree of price recovery evident in parts of the residential market were well beyond the expectations of most market observers. The volume of activity in the Irish investment market was close to €2 billion which was about three times the level of activity recorded in 2012. What is remarkable is that most of this investment activity was instigated by international capital with very little debt involved. The €2 billion achieved in 2013 was two-thirds of the €3 billion peak level achieved in 2006 when investment activity was fuelled largely by over-zealous domestic investors financed by debt provided by domestic and foreign financial institutions. For the first year since 2007, prices in certain segments of the commercial market recorded year-on-year capital growth, most notably the Dublin prime office market. The residential market also showed evidence of a resurgence of activity, despite the various constraints which are delaying a normalisation of market conditions, including those created by negative equity and by the low level of mortgage lending.

€10 billion

NAMA has already exceeded the €10 billion cumulative Senior Bond redemption target which it had set for end-2014

€2.3 billion

By end- February 2014, cumulative sales in the Irish market were €2.3 billion

€10.9 billion

From inception to end-2013, NAMA had overseen the sale of €10.9 billion worth of loans and property and other assets

SALES ACTIVITY

I am pleased that NAMA was in a position to make a substantial contribution to the resurgence of activity in the Irish property market in 2013. We always said that we would make assets available to the market in line with its absorption capacity and, as demand picked up in 2013 and the market's capacity increased, we responded accordingly. By end-February 2013, just after IBRC was placed into liquidation, our cumulative sales in the Irish market had reached €900m; by end-February 2014, that had increased to a cumulative €2.3 billion. Our strategy in 2011 and 2012 proved, in retrospect, to have been strategically and commercially sensible: our strategy was to avoid force-feeding assets into a fragile Irish market, to allow prices to recover and, in the meantime, to focus on capturing and maximising the income that the assets produced.

During the first half of 2013, we completed the sale of our first major Irish loan portfolio to Starwood - an €800m par debt portfolio (Project Aspen) secured entirely on Irish commercial property. Innovative features of the transaction included the retention of a 20% equity stake and the provision of vendor finance. Another major sale - a €250m par debt portfolio secured mainly by a number of Irish regional shopping centres (Project Club) - completed in 2014.

The pace of disposal activity has continued into the first quarter of 2014. Transactions which commenced in 2013 and completed in early 2014 included a loan portfolio of €373m par debt– Project Holly – which was secured by offices, hotels and land in Dublin and Meath. In early April 2014, we announced the sale of the Northern Ireland debtor portfolio (Project Eagle) which comprises loans with a par value of £4.6 billion. This highly complex transaction is expected to complete by mid-2014. There are also a number of other loan portfolios which are either currently on the market or due to come to the market over the course of the year.

In 2013, we started to pursue a strategy of offering packaged portfolios of property to target the demand of international capital and the new Irish REIT vehicles. In the early part of 2014, we have completed the sale of two substantial asset portfolios - Project Platinum for €165m, a portfolio of four Dublin office buildings and Central Park (for €311m), a portfolio of office and residential assets in Dublin. We will follow these up by offering for sale a number of other asset portfolios including a portfolio of regional shopping centres and a residential portfolio. We also plan to bring a number of quality hotels to the market during 2014. This is in line with our commitment to ensuring that there is a pipeline of mainly Irish property portfolios (€250m at minimum) available for sale to the market in each quarter.

OBJECTIVES AND CHALLENGES

Our expectation up to the third quarter of 2013 was that we would be in a position to repay another €7.5 billion of Senior Bonds by end-2016 (cumulatively €15 billion) and the remaining €15 billion of our Senior Bonds by 2020. The resurgence in Irish market activity in 2013 has created opportunities for us in terms of accelerating Irish asset disposals and the pace at which we can repay our Senior Bonds. We now anticipate that we may be in a position to complete our work some two years ahead of schedule. That foreshortened horizon also brings with it its own challenges.

NAMA has always had to manage and reconcile many objectives, some of which were set for us by our legislation, others created by the legitimate expectations of the various stakeholders who have an interest in how we conduct our business. At this pivotal point and in the light of improved conditions in the Irish market, we are reviewing our options with a view to formulating a strategy which will continue to reconcile various objectives in a way which is optimal for the taxpayer and for the economy.

Our primary commercial objective was set in Section 10 of the National Asset Management Agency Act, 2009 ('the Act') which requires that we obtain the best achievable financial return for the State from management of our acquired assets.

This we have always interpreted to mean that, at minimum, we repay our €30.2 billion of Senior Bonds and our costs. I should emphasise that NAMA is self-financing and therefore is not, in any way, a drain on the Exchequer. The recent improvement in market conditions means that, in addition to the Senior Bonds, we can also aspire to repaying our €1.6 billion of subordinated debt and possibly returning a surplus to the Exchequer provided it is done in an orderly and phased manner, a strategy which has served us well to date.

Another major objective is to fulfil our commercial remit within the shortest feasible timespan. Of the €30.2 billion of the Senior Bonds that we originally issued, just under €20 billion was outstanding by the end of March 2014. This is a contingent liability of Irish taxpayers and part of our job is to remove that contingent liability progressively but in a commercially astute manner that does not threaten the viability of Ireland's strong return to the international debt market.

We also need to continue to respond dynamically to the strong demand for Irish assets evident during the second half of 2013 and in the early part of 2014. I have already mentioned the recent escalation in our portfolio and loan sales activity. This has enabled us to redeem a greater amount of Senior Bonds than we had envisaged: we have already exceeded the €10 billion cumulative Senior Bond redemption target which we had set for end-2014 and I expect that we will make substantial additional Senior Bonds repayments by the end of the year. We hope to reduce the €20 billion in Senior Bonds (outstanding as at end-March 2014) towards the €15 billion level by end-2014.

Not all assets, however, are suitable for early disposal. The value of some of our assets is being enhanced by intensive asset management activity, including efforts to improve planning and through capital investment and, over time, we are confident that this will yield a much better return for the taxpayer than would a strategy of early disposal.

As the Chairman has mentioned in his Statement, we are committed to making whatever contribution we can to funding residential and office development on a commercial basis over the coming years, particularly to meet current and prospective supply shortages in Dublin and a number of other locations in Ireland.

Notwithstanding the improved Irish market conditions, the challenges facing NAMA remain formidable. Clearly, we would hope that international investor interest in Irish assets will be sustained over the coming years but that cannot be assured. Ireland has made great progress on the path to recovery over recent years but our exposure to global economic and financial developments means that we must seek to take advantage of the relatively benign international environment while we can.

For us in NAMA, that means disposing of assets which are of interest to investors, the majority of whom have been international funds. But where we are different from other deleveraging entities, such as foreign-owned banks, is that our sales prices must make sense not only for the purchasers but also for our ultimate stakeholders, the taxpayers whose interests we are charged with protecting and enhancing. So we will abide by our commitment that there will be no indiscriminate fire sale of assets under the control of our debtors and Receivers as this would be at variance with our statutory obligations.

CONCLUSION

In my remarks in the 2012 Annual Report, I expressed some concern at the inclusion of the National Treasury Management Agency ('NTMA') within the remit of the public sector remuneration adjustments which were introduced in July 2013 and the implications of that inclusion for NAMA's ability to recruit and retain staff with the appropriate skillsets and experience to manage its portfolio. Since July 2013, we have lost 29 staff, many of them very skilled and experienced and clearly attracted by the better remuneration and lower profile which is available to them from other employers in a recovering market.

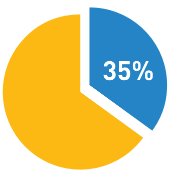
At this stage, I can only reiterate my concern that NAMA's capacity to meet the various objectives that I outlined above would be seriously affected if the exodus of expert and experienced staff were to continue. NAMA is different from other State agencies in that it was set up to solve a particularly difficult problem and to do so in an expeditious manner. There are no jobs for life in NAMA nor should there be, but as long as NAMA is being asked to fulfil a challenging commercial mandate, it must retain the expertise to enable it to fulfil that mandate.

Otherwise, there is a serious risk that a short-term 'penny smart and pound foolish' approach could prove to be very costly for the State. The possibility that NAMA may complete its work in advance of 2020 clearly heightens that risk significantly unless appropriate mechanisms are put in place to enable NAMA to retain the necessary skillsets to fulfil the mandate properly.

Finally, following a year of strong performance, I wish to recognise the commitment and effort of the Board, the Board Committees, the Executive team, the staff assigned to NAMA and also to those within the wider NTMA who contributed to another successful year. With each passing year, we have become progressively more confident that NAMA will meet the very challenging mandate which was given to it by the legislature in 2009. After 2013, we can look to the future not only with hope but also with a well-founded optimism that NAMA continues to play a significant part in Ireland's economic recovery.

PROGRESS IN 2013

NAMA continues to be profitable, making an operating profit, before tax and impairment charges, of €1,198m in 2013, an increase of 45% over 2012. NAMA reports a profit after impairment, tax and dividends of €211m.



€10.5 BILLION IN SENIOR BOND REDEMPTIONS

- NAMA achieved its end-2013 target of redeeming €7.5 billion of Senior Bonds relating to its existing portfolio. €2.75 billion was redeemed in 2013. In March 2014, NAMA redeemed a further €3 billion of Senior Bonds bringing total amount redeemed to €10.5 billion – 35% of NAMA's Senior Bonds in issue.
- In addition, by end-March 2014, NAMA had redeemed €4.2 billion of the Senior Bonds issued in respect of the acquisition of the IBRC loan facility deed and floating charge.

€15.1 BILLION IN CASH FLOWS

- From inception to end-2013, NAMA generated €15.1 billion in debtor receipts (asset disposals and non-disposal receipts) from its original loan portfolio, including €4.5 billion during 2013.
- In addition, NAMA received €1.4 billion in repayments from the IBRC Special Liquidators ('IBRC SL') in 2013.

€10.9 BILLION IN ASSET AND LOAN SALES COMPLETED

- From inception to end-2013, NAMA generated sales of €10.9 billion worth of loans, property and other assets held as security, including the sale of over 10,000 individual properties.
- During 2013, NAMA completed the sale of its first major Irish loan portfolio – Project Aspen, an €800m par debt portfolio secured entirely on Irish commercial property.
- The Agency had completed loan sales with a par debt value in excess of €3.9 billion by end-2013.

€1,198m

Nama operating profit, before tax and impairment charges in 2013

€1bn

approved by Nama in development funding for projects in Ireland

€10.5bn

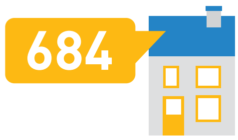
in Senior Bonds redeemed

€1 BILLION IN DEVELOPMENT FUNDING

- NAMA has approved over €1 billion in development funding for projects in Ireland. Over €600m of this has already been drawn down.
- NAMA is committed to advancing total development funding of €2.5 billion for Irish projects over the period to end-2016.
- NAMA has advanced €373m in vendor finance to date and is committed to advancing up to €2 billion in total if required.

FACILITATING BUSINESS

- NAMA works closely with the IDA to identify suitable commercial properties to meet the requirements of foreign direct investment. Among such transactions in 2013 were the letting of 120,000 sq. ft. in Dublin's Grand Canal Square to Facebook for its European headquarters and a number of substantial lettings in Burlington Plaza, Dublin.
- NAMA, through the deployment of working capital, is directly supporting 15,000 jobs in Ireland in trading businesses linked to its loans.
- NAMA is supporting employment in small and medium business in the retail sector through rent abatements and longer-term rent reliefs.



SOCIAL HOUSING

- NAMA is working closely with the DECLG and the Housing Agency to facilitate local authorities and housing bodies to purchase and lease properties for social housing.
- To date, 684 units have been delivered under this initiative and NAMA expects that another 400 properties will be taken up by local authorities and housing bodies in 2014. Another 900 residential units could potentially be delivered in 2015/16.

BUSINESS REVIEW

DEBTOR ENGAGEMENT

DEBTOR MANAGEMENT

NAMA acquired more than 12,000 loans in a range of currencies which had been advanced to over 5,000 debtors (managed as 780 debtor connections by NAMA). The acquired loans were secured by more than 10,000 groups of properties across a range of asset classes and markets (these were further disaggregated into over 60,000 saleable property units).

At end-2013, the largest 217 debtor connections (generally those with par debt in excess of €75m) accounted for €55 billion of current part debt. The other 563 debtor connections accounted for €12 billion of current par debt and is managed by the Participating Institutions ('PIs'): Allied Irish Bank p.l.c. ('AIB'), Bank of Ireland ('BOI') and Capita Asset Services ('Capita' or 'Primary Servicer' or 'Master Servicer'). NAMA's approach to debtor management is outlined in the following chart:

217 Debtors
€55 billion Par debt

- Intensively managed by NAMA
  Key credit decisions and relationship management carried out by NAMA multi-disciplinary teams
- Loan administration performed by PIs and Capita

563 Debtors
€12 billion Par debt

- NAMA employs dedicated teams who actively approve and participate where necessary in case management in line with NAMA policies
- Relationship management and loan administration carried out by PIs and Capita is monitored by NAMA and is conducted within NAMA policy and procedures

TABLE 1: Value and number of credit decisions to date (sales and approved capital advances)

	Asset Sales	New Capital Advances
Total number of decisions to date	5,664	4,977
Total value approved to date	€18,038m	€2,508m
2013 number of credit decisions	2, 414	2,103
2013 value approved	€5,493m	€712m

As part of NAMA's initial engagement with debtors, each debtor connection was required to undertake a comprehensive business plan process designed to assess commercial viability and its willingness to co-operate with NAMA. Business plan engagement with debtors involved the assessment of 780 debtor business plans. This was completed by end-June 2012 and, based on these assessments, strategies were adopted by NAMA towards each of the debtor connections. Debtor strategies are designed to deal expeditiously with acquired assets and to protect or otherwise enhance their value. In seeking to fulfil this objective, NAMA has engaged extensively with debtors, Receivers and with the PIs and is focused on optimising the recoverable value of assets.

CREDIT DECISIONS

Day-to-day management of debtor strategies involves credit decisions, monitoring and reporting. Formal reviews of debtor connections, known as Strategic Credit Reviews, are also undertaken on an ongoing basis.

From inception to end-2013, NAMA made a total of 39,686 credit decisions, including 17,886 in 2013. The average turnaround time for credit decisions in 2013 was less than 5 days and the approval rate was 95%. Credit decisions vary in complexity and include debtor strategy reviews, new lending, enforcement action, asset and loan sales and asset management decisions. A major feature of the credit decision process is the review and approval of new rental arrangements and, from inception, NAMA has approved nearly 4,000 new leases with over 1,400 of these approved in 2013.

Table 1 above outlines the number and value of approved credit decisions relating to asset sales and new capital advances from inception to date.

DEBTOR STRATEGIES

Typically, debtor strategies tend to fall into four broad categories: (1) Restructure, (2) Consensual workout, (3) Asset/Loan Sales and (4) Non-Consensual. **Table 2** below summarises the extent to which each strategy has been adopted to date.

NAMA's preferred approach is to work consensually with debtors where possible and it has worked with the majority of its debtors on that basis to date. Where a consensual approach is not possible and loans are in default, enforcement proceedings are initiated. A consensual approach means that debtors manage the agreed property and realisation strategy, under close monitoring by NAMA, with suitably reduced overheads adapted to the level of activity envisaged. The agreed asset management and disposal strategy will typically include some or all of the features outlined on the following page.

TABLE 2: Debtor strategies (as at end-2013)

Strategy	% of NAMA debt
Restructure	25%
Consensual workout	43%
Asset/Loan Sale	1%
Non-consensual	31%
Total	**100%**

ASSET/LOAN SALES

Schedules of agreed asset/portfolio sales with the timing of particular sales dependent on the type of property involved (for example, residential investment, commercial investment, land), the jurisdiction and location of the property and the scheduled expiry of any associated leases.

REVERSAL OF ASSET TRANSFERS

Reversal of any transfers, which may have taken place over recent years, of assets to related parties (for example, spouses and other family members), including property, cash, shares and other gifts. €180m has been recovered by NAMA to date.

UNENCUMBERED ASSETS

NAMA's policy is to seek charges over unencumbered assets as additional security, taking account of the transaction costs and any legal issues involved. Where another lender has security on a debtor's assets and in order to capture future upside potential, NAMA takes second charges over surplus equity where appropriate. From inception to end-2013, NAMA had obtained charges over additional security with an aggregate value of over €800m including €180m of asset transfer reversals. Additional security is identified in a number of ways. NAMA's Asset Search team is responsible for managing the implementation of asset searches designed to verify debtors' asset statements. In addition, NAMA case managers identify debtor assets that may be available as additional security.

RENTAL INCOME

Rental income from investment assets controlled by the debtor must be brought within NAMA's control or visibility. Rents are lodged to bank accounts over which NAMA has imposed security arrangements which preclude the release of funds.

NON-PROPERTY ASSETS

Where there is surplus cash available, it is netted against a debtor's loan obligations. Where appropriate, a debtor is required to sell shares, works of art and other non-property assets and apply such disposal proceeds against his NAMA debt.

FUNDING

In certain cases, NAMA provides funding which enables viable projects to be sustained and brought to completion with the view to increasing the long-term recoverable value of the assets.

VISIBILITY ON RENTAL INCOME

It became evident to NAMA following its acquisition of loans, that there was significant and widespread leakage of funds - most notably rental income - which should properly have been applied by debtors towards debt repayment. NAMA set out to address this leakage as a major priority by imposing a requirement that debtors mandate rental income to secured bank accounts. In some cases, NAMA permits an agreed level of overheads and vouched third party costs to be retained or released from these accounts on a periodic basis. NAMA has increased control from 20% of income on acquisition to almost 100% visibility and control at end-2013.

This process has ensured that there is much better visibility and control of rental income and outgoings than was in place prior to NAMA's acquisition of loans. Rental income has become a significant and recurring source of revenue for NAMA. In many cases, NAMA insists that a financial monitor and/or collection agent is appointed by the debtor with a duty of care to NAMA to ensure proper oversight and the provision to NAMA of accurate and timely management information.

ENFORCEMENT

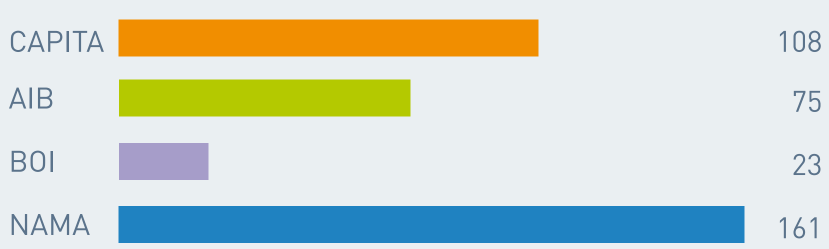
Where a consensual approach is not viable, NAMA exercises such enforcement options as are open to it. An enforcement strategy is pursued by NAMA in circumstances where the debtor's business plan is not considered acceptable, the debtor is in default, the debtor is not cooperating or where some other event has occurred that could potentially threaten NAMA's position as a creditor.

By end-December 2013, it had been necessary to make 366 insolvency appointments relating to 285 debtor connections out of the 780 debtor connections whose loans were originally acquired.

The enforcement process may apply to part of a debtor connection but not necessarily to all of it. Excluding extensions to existing enforcements, there were 95 new appointments made in 2013, 25 of them relating to NAMA-managed connections and 70 to PI-managed connections. By end-2013, insolvency practitioners had been discharged in 29 cases as a result of the conclusion of the insolvency process when assets were realised.

NAMA has introduced a number of measures designed to reduce the level of insolvency fees from those that have applied historically. These measures include the utilisation of a mini-tender process for particular appointments, the promotion of the concept of the 'fixed charge receiver' in Ireland and seeking competitive fixed fee proposals for insolvency assignments.

FIGURE A: Insolvency appointments by institution as at end-2013



NAMA ENFORCED PROPERTIES WEBSITE LISTING

On its website [www.nama.ie], NAMA publishes a listing of properties that are subject to enforcement action. The enforced property details are updated on a monthly basis. At end-December 2013, there were over 2,200 properties or groups of properties listed on the site. In the majority of cases, the properties are available for sale or are under management and generating income. In some instances, insolvency practitioners are working through outstanding title defects, ownership, planning and compliance issues with a view to making the properties available for sale as soon as these issues have been satisfactorily resolved.

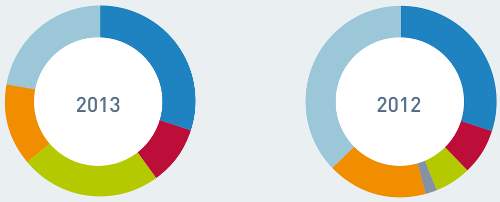
Based on user feedback, the majority of users of NAMA's enforced properties website are interested in properties that are available within their own geographical areas for rent or purchase. NAMA has, in response to user feedback, significantly enhanced the functionality of the enforced properties website to enable interested parties to interrogate the listing of properties in a much more informative way. In particular, the enhanced functionality includes the facility to search for properties by property type and county/area and includes links, where applicable, to sales brochures. Further enhancements are planned over the course of 2014.

TABLE 3: Enforcements as at end-December 2013

Insolvency appointments	NAMA-managed	PI-managed	Total
Corporate	122	165	287
Fixed Charge	39	40	79
Total	161	206	367
Number of debtor connections	101	184	285

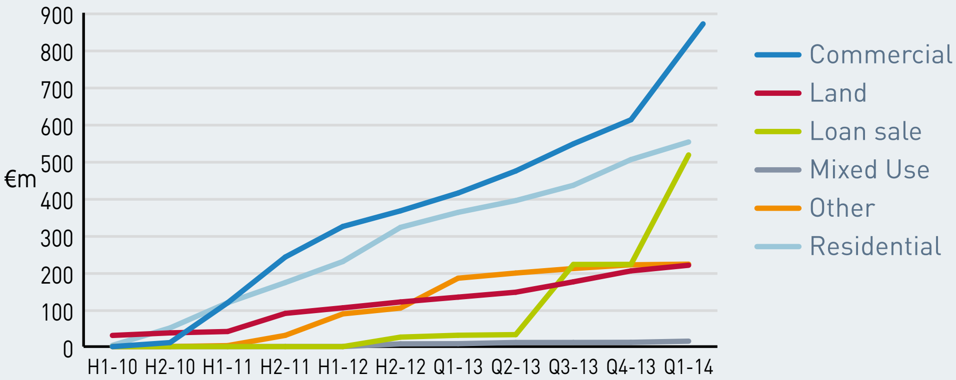
NAMA MARKET ACTIVITY AND INITIATIVES

FIGURE B: Ireland - asset sales by sector 2013 and 2012



	2013	2012
Commercial	30%	30%
Land	10%	8%
Loan Sale	24%	6%
Mixed Use	-	2%
Other	14%	17%
Residential	22%	37%

FIGURE C: Cumulative disposals in Ireland from inception to end March 2014



During 2013 NAMA continued to contribute to the renewal of sustainable activity in the Irish property market through its orderly and phased sale of assets and initiatives to increase transactional activity. In this way NAMA continues to make a direct contribution to reinvigorating the wider economy. In addition to asset and loan sales, NAMA has implemented a number of initiatives, including vendor finance and joint venture opportunities, to encourage increased investor participation in the Irish property market. NAMA is also supporting the market through its development funding programme, which is helping to address a market failure in terms of capital funding availability for viable construction projects, and by acting as a facilitator of transactions that would not otherwise occur, including its work with the IDA to secure foreign direct investment in Ireland. Details of these initiatives are set out below.

ASSET SALES

NAMA's approach is to release assets for sale in the Irish market in a manner which takes account of the market's capacity to absorb them - the NAMA Board's Business Plan of July 2010 refers to a "phased and orderly disposal of assets". NAMA's strategy is aimed at recovering what NAMA believes to be the intrinsic value of the assets that secures its loans.

That strategy has been supported by the recent recovery of both the commercial and residential markets in Dublin, a recovery which has enabled NAMA to increase the flow of assets to the market and to achieve strong pricing on recent sales. In particular, a resurgent market in 2013 enabled NAMA to transact sales at significantly better prices than were previously possible. Trends in Irish sales in 2012 and 2013 are shown in **Figures B** and **C**. The steady recovery of the Irish economy along with Ireland's exit from the Troika programme has resulted in a notable improvement in investor interest towards Ireland. Consequently, the risk premium which had previously attached to Irish assets has reduced and investors are demonstrating a willingness to reduce their yield expectations in order to secure assets which will produce good returns on a medium- and long-term basis.

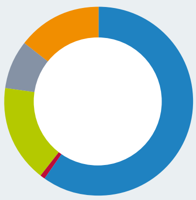
A key part of NAMA's strategy in Ireland has been to create property portfolios which are attractive to large institutional buyers in the market, including REITs, which tend to favour sizeable transactions. For example, in early 2014, NAMA approved the sale of two substantial asset portfolios: Project Platinum, a

FIGURE D: Asset sales in 2013 and 2012 by location

	2013	2012
London	54%	52%
Northern Ireland	1%	2%
Republic of Ireland ('ROI')	22%	13%
Rest of World ('ROW')	9%	8%
Rest of Britain	14%	25%

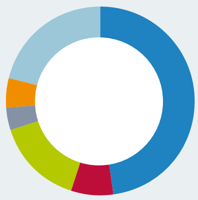
FIGURE E: Asset sales from inception to end-2013 by location and sector

Asset sales by location from inception to end-2013



- London 58%
- Northern Ireland 1%
- ROI 16%
- ROW 8%
- Rest of Britain 17%

Asset sales by sector from inception to end-2013



- Commercial 48%
- Land 7%
- Loan Sale 15%
- Mixed Use 4%
- Other 5%
- Residential 21%

FIGURE F: UK asset sales by sector 2013 and 2012

	2013	2012
Commercial	76%	53%
Land	5%	6%
Loan Sale	1%	13%
Mixed Use	3%	4%
Other	3%	3%
Residential	12%	21%

portfolio of four Dublin office buildings and Central Park, a portfolio of office and residential assets in South Dublin. These portfolio sales attracted significant levels of interest from potential purchasers – bids with a combined value in excess of €3 billion were received for the two portfolios - and the Agency achieved strong pricing on both.

In order to ensure the availability of a steady flow of assets for purchase in the Irish market, the Agency announced plans in February 2014 to bring property portfolios with a minimum value of €250m to the market in each quarter. This will provide investors with certainty around deal-flows, helping to sustain existing investor appetite whilst increasing investment interest in assets outside of the Dublin market. The proposed quarterly portfolio sales will be in addition to the €1.5 billion of property assets which are currently for sale through debtors and Receivers in Ireland and will be in addition also to any loan portfolios that may be offered to the market. NAMA is therefore making a substantial contribution to market activity in Ireland at present.

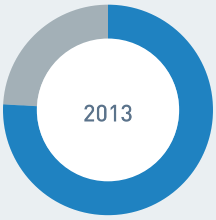
From inception to end-March 2014, NAMA had overseen the sale of €12.4 billion worth of loans, property and other assets held as security across the Agency's total loan book, including the sale of 10,000 individual properties mainly in Ireland and Britain.

The bulk of sales, particularly over the period 2010-2012, have been in Britain, mainly in London, as shown in **Figures D, E** and **F**. The British market, in contrast with the Irish market, quickly recovered its buoyancy after the 2008-2009 downturn and, in general, prices have increased relative to NAMA acquisition prices which were determined by reference to a November 2009 valuation date. The ongoing resilience and liquidity of the British market presented an opportunity for debtors and Receivers to dispose of properties which were ready for sale and for which there was demand. To end-2013, over €8 billion of British assets had been sold, including €6.4 billion in London. NAMA continues to have significant exposure to properties in London, particularly residential development.

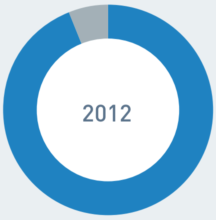
Up to 2013, the most attractive assets to buyers have been offices, hotels and residential units, particularly in Britain. However, as reflected in **Figure B**, interest in other sectors, including residential and development land, is increasing as the recovery in the Irish market in particular matures.

FIGURE G: Loan sales in 2013 and 2012 as a proportion of total ROI sales

ROI loan sales as a % of total asset sales 2013



ROI loan sales as a % of total asset sales 2012



	2013	2012
Property sales	76%	94%
Loan sales	24%	6%

LOAN SALES

Loan sales account for an increasing proportion of NAMA disposals in Ireland, reflecting increased investor interest in larger transaction sizes and the maturing of Europe's loan sales market. In 2012, loan sales accounted for 6% of total Irish disposals. In 2013, this figure had increased to 24%. Sales to date have included individual loans and debtor connection loan portfolios in Britain and Ireland.

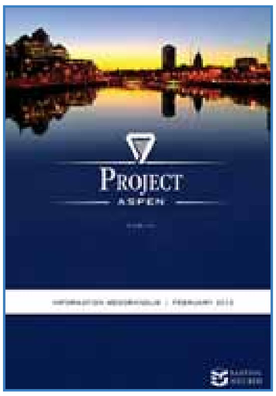
Loan portfolios are offered for sale to the market in cases where there is evidence of strong investor interest and where NAMA is satisfied that the resulting proceeds would not represent a discount on the proceeds that would be realised from the sale of the underlying secured properties. Loan sales are conducted in line with accepted international best practice and NAMA's policy is that, other than in exceptional circumstances, loans are openly marketed. Sales are conducted by firms selected from two panels of loan sale advisors which were established after a public procurement process in 2012 – one for loan sales in the US and one for loan sales in Europe, including Ireland and Britain.

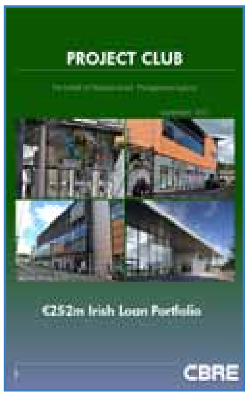
To end-2013, across the entire NAMA portfolio, NAMA had completed sales of loans with nominal balances of €3.9 billion and this had reached €4.8 billion by end-March 2014. At that stage, there were a number of large loan portfolios on the market and planning was well advanced in respect of a number of other loan portfolios which are expected to come to the market later in 2014.

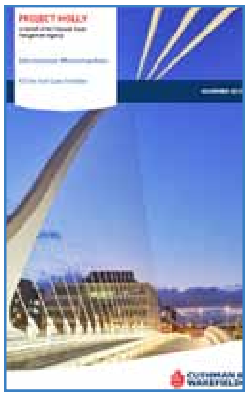
Some of the major loan portfolio sales which NAMA completed in 2013 and to date in 2014 are outlined below:

- **Project Aspen** - a €800m par debt portfolio secured entirely on Irish commercial property was sold to a major US investment group in the first half of 2013 and represented the sale of NAMA's first major Irish loan portfolio.
- **Project Club** - a €250m par debt portfolio secured mainly by Irish shopping centres completed in 2014.
- **Project Holly** - a €373m par debt portfolio secured by offices, hotels and land in Dublin and Meath completed in February 2014.
- **Project Eagle** – in April 2014, NAMA announced the sale, subject to contract, of the Project Eagle portfolio of loans to affiliates of Cerberus Capital Management, L. P. The portfolio consists of loans owned by Northern Ireland-based debtors and secured by assets in Northern Ireland, the Republic, Britain and other European locations. The portfolio has a par value of £4.6 billion and its sale would represent the largest single transaction by NAMA to date.

Examples of Loan Sale Investment Memorandums







VENDOR FINANCE

In 2012, NAMA announced plans to advance vendor finance over the years 2012 to 2016 to purchasers of commercial property securing its loans, mainly in Ireland. Vendor finance is provided to new investors for periods typically ranging from three to five years, with the expectation that it will be refinanced by the banking sector when more normal market conditions return.

The first vendor finance transaction, involving the sale of an office building, One Warrington Place in Dublin, was completed in April 2012. NAMA has since concluded a number of other transactions including Edward Square Shopping Centre in Galway, Croydon Hotel in London and Project Aspen.

NAMA has advanced €373m to date and has indicated its willingness to provide up to €2 billion in total to facilitate investment in Irish commercial property if required. Vendor finance was introduced in 2012 at a time when many potential investors were constrained by a lack of access to bank finance. A number of developments during 2013 suggest that the need for vendor financing may be reducing. These include the prevalence of international investors with ready access to capital, a gradual increase in domestic bank lending and the introduction of Irish REITs as an alternative investment mechanism.

80/20 DEFERRED PAYMENT INITIATIVE

NAMA launched its 80/20 Deferred Payment Initiative ('DPI') in May 2012. The initiative aimed to provide home buyers with a level of protection against a fall in residential property prices over the initial five years of a mortgage. The initiative was launched in conjunction with BOI, EBS and Permanent TSB and extended to over 400 residential properties in Ireland under the control of NAMA debtors or Receivers. Under the initiative, the home buyer paid 80% of the property price upfront, with the residual amount (up to 20% of the property's value) payable in five years by the mortgage provider (on behalf of the home buyer) directly to NAMA, depending on the value of the property at that time.

The residential properties included in the initiative were released on a phased basis from May 2012 to June 2013. The properties, predominantly three and four bedroom semi-detached houses, were located in 33 developments across 13 counties.

In January 2014, NAMA announced that the DPI would be closed to new entrants with effect from 31 May 2014. This decision was made on the basis that the initiative had achieved its objective of generating sales activity and facilitating greater price discovery, with feedback from purchasers indicating that fear of falling house prices was no longer a significant factor.

In total, 64% of the properties included in the initiative since its inception have been sold. By end-March 2014, this included the sale of 264 properties with a total sales value of €52.21m. Of those transactions, approximately 40% of the purchasers had availed of the initiative through one of the participating mortgage providers.

DEVELOPMENT CAPITAL

NAMA is committed to delivering significant investment in the Irish economy through its development funding programme. It has approved over €1 billion in development funding for the completion of construction projects currently in progress in Ireland and to develop new projects to meet prospective supply shortages in certain sectors. Over €600m of this has been drawn down for a range of Irish residential, commercial, retail and leisure projects. Examples of the funding are included on the following pages.

NAMA expects to approve total development funding of €2.5 billion for commercially viable projects in Ireland over the period to end-2016. This will include the construction of 4,500 new houses and apartments in Dublin in addition to office accommodation in Dublin and investment in viable retail projects. It will include significant development in the Dublin Docklands and in other urban centres in response to the emerging growth needs of the economy.

One Warrington Place in Dublin

In April 2012 NAMA completed its first vendor finance transaction - the sale of an office building, One Warrington Place in Dublin.

Grand Canal Square, Dublin

Image of the exterior of 4 Grand Canal Square, the completion of which was funded by NAMA.

Central Park, Block G, before

- Completed to shell and core
- Entire building vacant
- No rent generated

Central Park, Block G, after

- All floors completed to landlord specification
- 5 floors let to blue chip tenants
- Generating strong rental income
- Sold as part of Project Platinum

Lanyon Plaza, Belfast

Image of the exterior of Lanyon Plaza, Belfast the fit-out of which was funded by NAMA.

EXAMPLES OF COMPLETED PROJECTS

Grand Canal Square, Dublin

NAMA provided €65m in advances for the completion and fit-out of this Grade A office development in Dublin's Docklands. The property is now complete and has secured a number of major lettings.

Block G, Central Park, Dublin

NAMA provided over €14m in development funding for the completion of Block G in Central Park, a mixed-use development on a 20-acre site in Sandyford, Dublin. The completed property consists of a multi-let 8 storey building which now provides over 190,000 sq. ft. of Grade A office space. The sale of the Central Park development, as part of Project Platinum, was finalised in early 2014 after a very competitive bidding process.

Lanyon Plaza and The Soloist, Belfast

Lanyon Plaza and the Soloist are adjoining office buildings in central Belfast comprising a combined space of over 180,000 sq. ft. NAMA provided over £15m in funding to fit-out the buildings and significant lease arrangements in both properties have now been agreed. Leases include the Northern Ireland Department of Finance and Personnel's rental of the 90,000 sq. ft. of office space at Lanyon Plaza and a leading law firm's agreement to rent five floors in the Soloist.

Oranmore Town Centre

NAMA approved €18.5m in funding for the development of a mixed-use town centre in Oranmore, Co. Galway which was pre-let to a major multinational retailer. A further 18,000 sq. ft. of the available retail space, for which NAMA approved €2.5m in funding to construct, has been subsequently pre-let to another major international retailer.

EXAMPLES OF PROJECTS CURRENTLY IN DEVELOPMENT

Point Village, Dublin

NAMA is providing €27m in investment funding for fit-out at the Point Village in the east of the Dublin Dockland's SDZ. The property comprises 985,000 sq. ft. of mixed-use space including office, hotel and retail units. The global IT company Yahoo! recently agreed a lease on over 70,000 sq. ft. of office space in the Point Village.

Honeypark, Dublin

Honeypark is a residential development in Dun Laoghaire, Co. Dublin. NAMA advanced €43m in development capital for the completion of Phase I and Phase II of the project. Once complete, Honeypark will incorporate over 1,800 houses and apartments. Plans also include 17,000 sq. ft. of commercial space, including a crèche. Phase I is complete and Phase II is expected to complete in 2014.

Forest Hill, Carrigaline, Co. Cork

NAMA has provided nearly €11m in development funding for the construction of Forest Hill, a new high-quality residential development in Carrigaline, Co. Cork which, on completion, will contribute over 400 new houses.

The Point Village, Dublin

NAMA is providing investment funding for the fit-out of the Point Village, Dublin.

The Honeypark Development, Dublin

NAMA has advanced development capital for the completion of Phase I and Phase II of the Honeypark development in Dublin.

Forest Hill, Carrigaline, Co. Cork

NAMA has provided development funding for the construction of Forest Hill in Cork.

TALLAGHT SHOPPING CENTRE – AN ASSET MANAGEMENT APPROACH

NAMA's development initiatives encompass a range of activities, from working to secure planning permission for development or redevelopment through to the financing and delivery of significant development projects. An example is the Square Shopping Centre at Tallaght in Dublin in which NAMA, as secured lender, has a substantial interest. NAMA has actively supported a value-enhancing strategy to rejuvenate the Square as the economic hub and town centre for Tallaght. This strategy has included:

- Implementing a new management structure
- Ongoing financial support and investment in the Centre
- Funding to enable the re-opening of a 13 screen cinema
- Attracting new occupiers
- Engagement with existing tenants
- Engagement with the local community

In addition, NAMA has driven a strategy to create a deliverable development opportunity through the extension of the existing Centre and (a) has agreed terms with South Dublin County Council to acquire the 16-acre site surrounding the Square and (b) funded the preparation and lodgement of planning application for 200,000 sq. ft. of a retail extension. A decision to grant permission was made by South Dublin County Council in March 2014.

A CGI impression of the proposed Town Centre in Tallaght

NAMA has actively supported a value-enhancing strategy to rejuvenate the Square as the economic hub and town centre for Tallaght.

STRONG PERFORMANCE OF BRITISH MARKETS

Asset sales in Britain have been conducted in line with NAMA's policy of a phased and orderly programme of disposals and the requirement that NAMA would generate sufficient cashflows to meet its milestone, which was adopted by the Troika, of repaying €7.5 billion of its Senior Bonds by end-2013 – a milestone that was successfully met.

By reference to this policy, property sales by debtors and Receivers have been heavily influenced by liquidity conditions in various markets and by the attractiveness of various asset classes to investors. Approximately 75% of sales had been in Britain to end-2013, particularly in London, where prices have increased substantially since 2009. With London seen as a safe haven for investors, strong demand meant that assets could be sold at very attractive yields, often in the 3% to 5% range.

NAMA has sought to strike the appropriate balance between a requirement to make significant progress in selling assets and redeeming its debt and the imperative to do this in a way that optimises the sales proceeds of those assets, having regard to the liquidity and prices that are available in various markets.

In a number of cases, NAMA identified assets where it was apparent that, by injection of funding, significantly greater returns could be obtained. Examples include a number of major residential development programmes in London where, through NAMA's capital investment, the return to Irish taxpayers has been significantly enhanced relative to the return that would have been obtained by selling undeveloped sites.

A computer generated image ('CGI') impression of Royal Wharf, a development site in London, the sale of which was completed in Dec 2013.

LONDON RESIDENTIAL

In the London residential sector, NAMA is funding a number of significant residential developments, following a robust business case analysis. The profits that are expected to be generated by the sale of these developments will enhance the loan repayment capacity of the debtors involved and ultimately the return to Irish taxpayers. The financing of these profitable projects is substantially de-risked through advance sales to private buyers, both local and overseas, and to housing associations. As a result, breakeven is assured before construction commences. Examples include:

New Capital Quay, Greenwich, London

New Capital Quay is a development project of over 1,000 apartments located in Greenwich on the banks of the River Thames. The scheme comprises 10 buildings which are primarily residential along with retail, commercial and community uses. Construction commenced in March 2011 and is due to be completed in early 2015. The financing of this development was successfully de-risked through advance sales of private and affordable residential units as well as a supermarket unit.

New Capital Quay, Greenwich, London

NAMA provided over £11m in funding for this development.

21 Wapping Lane, London

NAMA approved £97.2m of funding for the development of Phase I and Phase II at 21 Wapping Lane which is situated in one of the longest established prime east London residential markets. The scheme comprises five buildings including a multi-storey residential tower together with buildings for retail, commercial and community uses. Phase I of the development is complete and funding was repaid in full in Q1 2013. Construction began on Phase II in July 2012 and is expected to complete in 2014. The financing of this profitable development successfully enhanced the loan repayment capacity of the debtor.

Embassy Gardens, Nine Elms, London

Embassy Gardens is a development site located in Nine Elms and is planned around the proposed new US Embassy which is expected to complete in 2017. NAMA approved £135m to fund the development of Phase I which comprises private and affordable residential units together with retail and commercial space. Construction commenced in November 2012 and is due to complete by end-2015. The financing of this phase was successfully de-risked through advance sales and all private and affordable residential units have sold.

A CGI impression of 21 Wapping Lane, London

A CGI impression of Embassy Gardens, Nine Elms, London

PLANNING

The planning system is an important focus for NAMA as many of the Agency's investment plans are predicated on the resolution of various planning and infrastructural issues. For example, the planned investment in the Dublin Docklands is dependent on the adoption of a workable SDZ planning scheme and clarity on the provision of infrastructure.

More generally, a number of critical projects within the NAMA portfolio currently have no planning permission or have permissions that are no longer viable. For example, while there is extant planning permission on NAMA-secured sites in south Co. Dublin for 1,500 residential units, it is estimated that, for planning, infrastructure or economic considerations, just over 200 of these properties are currently deliverable.

NAMA is working closely with local authorities in Dublin and in the other main urban centres to identify ways to overcome barriers to development, including planning and funding.

NAMA has also contributed at a national level, through engagement with the Department of the Taoiseach and the DECLG, to policy discussions aimed at achieving efficiencies in the planning process. A more efficient planning process would mean greater certainty for projects, for investment and for employment and for meeting current and future demand for housing and offices.

JOINT VENTURES

For the most part, NAMA capital expenditure is channelled to projects through funding provided to debtors or Receivers. However, in certain circumstances, NAMA may seek to partner through joint venture arrangements with domestic or international counterparties to develop NAMA-secured sites. To date, the Agency has entered into joint ventures to develop three strategic sites in the Dublin Docklands, on City Quay, Hanover Quay and the U2 Watchtower site.

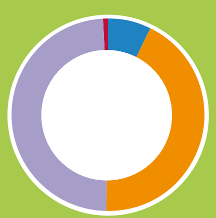
To facilitate more of these arrangements, which are intended primarily to increase the long-term recoverable value of assets, NAMA recently sought expressions of interest from credible counterparties to co-invest with it to develop potential joint venture opportunities in Ireland. At end- March 2014, a month after it first invited submissions, 121 parties had expressed interest in forming joint ventures with the Agency.

The Agency has welcomed the very strong level of interest from both Irish and international firms involved in construction, investment and asset management. More than half of all expressions of interest received were from firms based in Britain, Europe and the US. 70% (a total of 82 firms) have expressed interest in partnering with NAMA in respect of joint venture opportunities that may arise in Ireland.

Parties expressed strong interest in a broad range of project sizes in Ireland. In respect of Ireland, 52 firms expressed interest in projects with a value of more than €100m. 69 said they could partner in projects with a value of between €50m and €100m, while 75 are interested in projects of between €20m and €50m.

NAMA has said that should it identify potential joint venture investment opportunities, it will review the submissions received for suitable investment partners and seek information from selected interested parties on a case-by-case basis.

Expressions of interest



Ireland as investment location by lot size analysis

Total of 82 companies expressed an interest in investing in Ireland

*Note: A number of parties indicated their interest in investing across a number of lot sizes.

DUBLIN DOCKLANDS

In addition to funding delivered through NAMA's Asset Recovery division, NAMA's Asset Management division is focusing on the development of a number of large-scale projects in markets where NAMA has material exposure and where demand for completed or new buildings justifies a project-focused effort. A particular focus in this regard is the Dublin Docklands.

In December 2012, the Government announced the designation of some 66 hectares of land in Dublin Docklands as a SDZ. Such zones are designated to facilitate development which is of economic or social importance to the State. To enable this, the SDZ legislation allows for a fast track planning regime. Once a SDZ plan is adopted by An Bord Pleanála on appeal future planning applications which are consistent with it must be granted permission and no appeal can be taken against such a grant of permission.

In the case of Dublin Docklands, the Government has confirmed that the SDZ, reflecting the potential and need for comprehensive planning and development in this area, will ensure the efficient use of public investment in infrastructure and will also enable the delivery of policies for this area, as made by Dublin City Council.

Within the SDZ area, about 22 hectares are currently undeveloped. NAMA holds security over a significant portion of these lands and has direct ownership of a small number of sites. These lands are a key focus for future viable investment by NAMA.

Dublin City Council, as the appointed Development Agency, prepared a Draft SDZ Scheme in 2013, with two public consultation periods. NAMA made formal submissions to the City Council during both periods and expressed strong support for the principles of the emerging SDZ Scheme.

Dublin City Council adopted the SDZ Scheme in November 2013 and it is currently before An Bord Pleanála. An Oral Hearing was held in February 2014 and in the course of its submissions to the City Council and to An Bord Pleanála, NAMA offered suggestions on issues such as land use mix, infrastructure provision and the importance of a pro-active Development Agency to deliver on the SDZ scheme once adopted. It is hoped the SDZ will receive final approval in mid-2014.

The overall SDZ area covers 66 hectares. NAMA has an interest in over 70% of the 22 hectares available for development.

Interior floor shot of 4 Grand Canal Square post NAMA- financed landlord fit-out and prior to tenant fit-out.

Burlington Plaza, an office development in Dublin 4, which was vacant when the loans associated with the development transferred to NAMA and is now occupied by a number of high-profile international tenants.

FACILITATING TRANSACTIONS

NAMA has acted to facilitate significant property transactions that might not otherwise have taken place by offering structured engagement between debtors and Receivers and potential new investors. In particular, NAMA has co-operated actively with the IDA in identifying suitable properties for locating significant new activities. Examples of this are set out below:

- Funding the fit-out of an office block in Cork to facilitate its acquisition by leading multinational pharmaceutical firm, Eli Lilly. The project is expected to complete in June 2014.
- The letting of 120,000 sq. ft. in Dublin's Grand Canal Square office development to Facebook for its European headquarters. Facebook is now expected to increase its workforce in Ireland to some 1,000 staff.
- There have also been a number of other significant leases agreed in Grand Canal Square including leases with one of Ireland's leading law firms and with an international professional services company. Additional major lettings are expected to be agreed in 2014 for the remaining available space.

NAMA's close co-operation with the IDA has resulted in a number of substantial lettings. A prime example is Burlington Plaza, an office development in Dublin 4, which was vacant when the loans associated with the development transferred to NAMA in 2010:

- International broadcasting group BSkyB Group signed a 10-year lease for one and a half floors of the property. NAMA provided €1.5m in funding to fit-out the property for the new tenant.
- Global e-commerce firm Amazon agreed a 20-year lease for three floors. NAMA provided €1.7m in funding to fit-out the space for the new tenant.
- US digital company Adroll Advertising has established its European headquarters at Burlington Plaza with the agreement of a 10-year lease for a floor. NAMA provided €300,000 in funding to fit-out the property for the new tenant.

WORKING CAPITAL AND JOB CREATION

In addition to NAMA's development funding which was outlined in the previous section, NAMA is directly supporting 15,000 jobs in Ireland in trading businesses linked to its loans through the provision of working capital. These include jobs in property, hotel and leisure, retail, healthcare, manufacturing and agriculture.

RENT ABATEMENTS

In December 2011, NAMA introduced a rent abatement initiative to deal with cases where tenants of its debtors can demonstrate that the rents payable under their current leases are in excess of market levels and, as a result, that the viability of their businesses is threatened (Guidance Note on Upwards Only Commercial Leases is available on www.nama.ie).

The initiative enables tenants, in such circumstances, to seek NAMA's approval for rent reductions. To date, NAMA has received 339 applications for rent abatements from retailers; only 10 applications have been refused. The aggregate annual value of abatements agreed to date is in excess of €20m, which is the rent due to NAMA that it has agreed to forego in order to help businesses to survive. In addition, NAMA has agreed long-term reductions worth over €40m to help small and medium businesses in the retail sector.

The objective of agreeing rent abatements in the first instance is to support the short-term viability of small and medium businesses which are intrinsically viable but which are experiencing difficulties arising from current economic conditions. In cases where there is genuine hardship which can be ameliorated by rent abatement, NAMA achieves two significant benefits. Firstly, it helps to preserve the value of the collateral supporting NAMA loans by ensuring that tenants remain in business and continue thereby to generate rental income. Secondly, it safeguards jobs and economic activity. Any short-term loss of rental income arising from rent abatement is likely to be more than offset by these long-term benefits.

The initiative is not designed to confer benefits on businesses that are trading profitably or that are part of trading groups which are in a position to honour their current contractual arrangements on rent.

NAMA SOCIAL AND ECONOMIC CONTRIBUTION

In the context of its objective to contribute to the wider social and economic development of the Irish economy, NAMA seeks to manage its portfolio in a manner that complements the objectives of Government Departments, local authorities and State agencies. The following are some of the areas in which NAMA seeks to give practical effect to the objective of contributing to the social and economic development of the State.

PROPERTIES FOR PUBLIC USE

In its Business Plan published in July 2010, the NAMA Board ('the Board') undertook to "engage proactively with Government Departments, local authorities, State Agencies and other appropriate bodies in relation to their possible need for land/properties". The Board also committed to giving first option to State bodies on the purchase of property at current approved valuations which may be suitable for their purposes.

In line with this commitment, NAMA works with Government departments and statutory bodies to deliver suitable land and property for schools, health care facilities, community and recreational amenities and other uses. Examples include:

- The identification and sale of seven sites for new schools, with a further 14 under review. An example is a 200-acre site in Mungret, Co. Limerick which will accommodate two schools and significant other social infrastructure.
- The letting of over 18,000 sq. ft. in office space in Balbriggan, Dublin to the Office of Public Works, terms of which have been agreed.
- The Health Service Executive's acquisition of nearly 3,000 sq. ft. of office space in Dublin 2 and the identification of a number of additional sites as being available for health care facilitates/primary care units.

NAMA is engaged more generally with public bodies in respect of public policy processes and on specific initiatives. This includes:

- The Agency's work with the DECLG in respect of planning policy and procedures;
- Engagement with Dublin City Council on a range of planning issues relating to the delivery of sustainable development within the Dublin city centre business district and the docklands area, including the delivery of Grade A office accommodation; and
- Engagement with the Department of the Taoiseach to support the Government's initiative in respect of Priory Hall (an asset which does not secure any NAMA loans) and in relation to NAMA's potential contribution to the recovery of Ireland's construction industry.

SOCIAL HOUSING

NAMA has cooperated actively with the DECLG and with the Housing Agency in seeking to match the residential stock controlled by its debtors and Receivers with the requirements for social housing.

To date, NAMA has identified over 4,650 residential properties as being available for social housing provision. Of these, demand has been confirmed to the Housing Agency for 1,849 properties. The onus for determining the suitability of these units for social housing purposes rests with the local authorities and the Housing Agency.

684 residential units across 13 counties have been delivered to date under this initiative and NAMA expects that another 500 units will be taken up by local authorities and housing bodies during the remainder of 2014. Current indications are that another 900 residential units could be delivered over the course of 2015 and 2016. NAMA has incurred approximately €13m in capital expenditure in completing residential units for social housing purposes.

As a means of expediting the provision of social housing, NAMA established a Special Purpose Vehicle ('SPV') - National Asset Residential Property Services Ltd. - to acquire units from its debtors and Receivers and to make them available to approved housing bodies by way of a long-term lease. NAMA's involvement has facilitated what may potentially become one of the single largest allocations of social housing in the history of the State.

UNFINISHED HOUSING ESTATES

The DECLG, in conjunction with local authorities around the country, prepared an updated survey in 2013 of unfinished housing developments. Based on this survey, NAMA has identified that it currently holds security over 268 or 21% of the revised estimate of 1,258 unfinished estates.

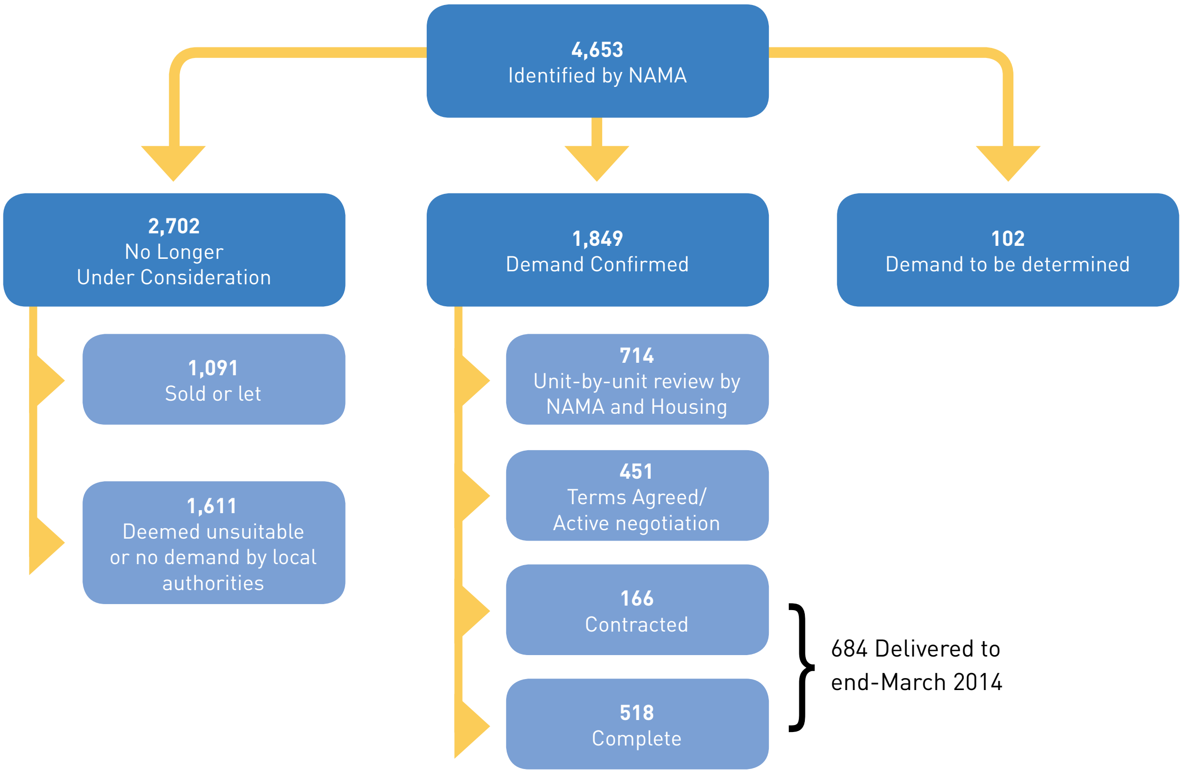
NAMA is funding, through its debtors and Receivers, the cost of remedial work on these estates. Expenditure on such work to date has been of the order of €4m. Site resolution can involve a variety of works, including the completion of roads and infrastructure and the completion of houses and apartments for sale or rental.

ESRI STUDY

Analysis of the Irish residential market has been impaired by a lack of independent professional research and data which would facilitate policy-making and commercial activity. In particular, there has been an absence of reliable and unbiased information about the key factors that will influence the availability and cost of housing over medium- and long-term horizons. For this reason, NAMA agreed to take a leading role in promoting and funding a two-year research programme on housing to be undertaken by the Economic and Social Research Institute ('ESRI'). The objective is to produce practical market insights that will facilitate informed decision-making by all market participants, including potential purchasers, investors and the construction industry.

The research programme is being overseen by a Steering Committee, on which NAMA is represented, which is agreeing priorities and review outputs. Editorial control and responsibility for the research and for final output will rest with the ESRI. The first outputs from the ESRI research programme, which is co-sponsored by the Irish Banking Federation, are scheduled for delivery in June 2014.

FIGURE H: Position (as at end-March 2014) in relation to houses identified by NAMA for social housing



SOCIAL HOUSING DELIVERY – CONEYBORO, ATHY CO. KILDARE

In February 2014, 35 new two- and three-bed houses at Coneyboro, Athy, Co. Kildare were provided by Clúid Housing Association through NAMA to 35 households, including 30 families, from the Athy Town Council's housing waiting list. The new residents had been waiting for an average of seven years for housing.

The beneficiaries extended beyond the new residents. The 35 units were part of a larger, 400-unit development, which, prior to Clúid's acquisition, had been in an unfinished state. NAMA provided funding to complete works throughout the estate, including internal roads and green areas.

FINANCIAL REVIEW

SUMMARY 2013 FINANCIAL HIGHLIGHTS

Cash Generation	2013 €m	2012 €m	From inception to end-2013 €m
Total cash generated	**4,480**	**4,505**	**15,084**
Disposal receipts[3]	3,672	3,041	10,870
Non disposal income	792	1,210	3,607
Senior Bond Repayments			
Senior bonds redeemed - NAMA	2,750	3,500	7,500
Profitability			
Operating profit before impairment	1,198	826	
Impairment charge	(914)	(518)	
Profit for the year	211	228	
Loan Portfolio			
Total loans and receivables (net of impairment)	**31,314**	**22,776**	
NAMA Loans and receivables (net of impairment)	19,598	22,776	
IBRC loans and receivables (gross)[4]	11,716	-	

3 *Prior period disposal receipts and non-disposal income receipts have been restated to reflect enhanced information available to NAMA on the classification of receipts as disposal or non-disposal (2012: €244m, inception to date €368m). This is a classification change only within total cash receipts.*

4 *NAMA issued bonds to the Central Bank to acquire the IBRC loan facility deed and floating charge when it was put into liquidation.*

FINANCIAL REVIEW (CONTINUED)

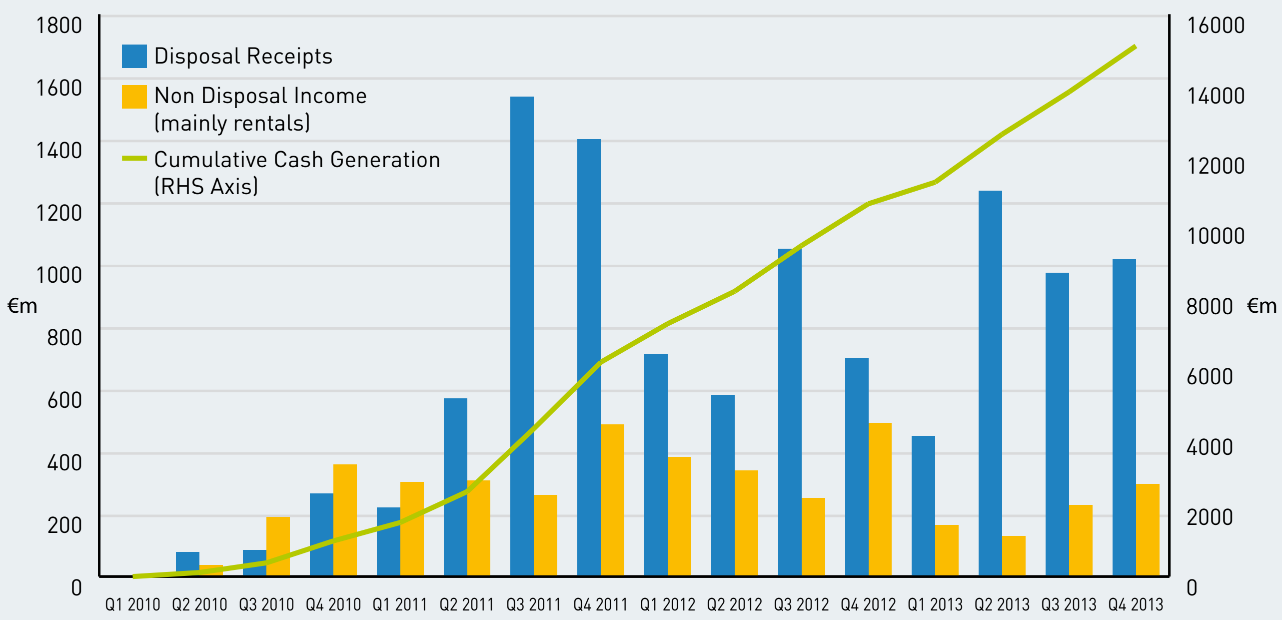
SIGNIFICANT CASH GENERATION AND SENIOR BOND REPAYMENT

2013 was another year of outstanding commercial achievement for NAMA. During 2013, NAMA (excluding NARL) generated €4.5 billion (2012: €4.5 billion) in cash, bringing total cash generated from inception to end-2013 to €15.1 billion. This was a notable achievement given the difficult conditions which prevailed in the Irish economy and the Irish property market up to mid-2013 and the fact that NAMA has only been fully operational since 2012, having had to build an organisation from scratch.

Cash is generated principally through disposal receipts and non-disposal income. Disposal receipts comprise the proceeds of both property collateral and loan sales. Non-disposal income represents income generated by debtor assets, principally rental income.

The success in generating cash from assets meant that NAMA was in a position to attain the critical milestone of repayment of €7.5 billion of Senior Bonds by end-2013.

FIGURE I: NAMA cash generation from inception to end-2013 (excluding NARL)



NARL

On 11 February 2013, NAMA established **National Asset Resolution Limited ('NARL')** in response to a Direction issued by the Minister under the IBRC Act 2013 to NAMA to acquire from the Central Bank a loan facility deed and floating charge over certain IBRC assets. Consideration of €12.9 billion was paid to the Central Bank in the form of Government guaranteed Senior Bonds. During 2013, the IBRC Special Liquidators ('IBRC SL') initiated a process to sell the assets of IBRC to third parties. The sales proceeds are remitted to NAMA to reduce the outstanding loan facility. In turn, these cash proceeds are used by NAMA to redeem Senior Bonds issued to the Central Bank. During 2013, NAMA received principal and interest repayments of €1.4 billion from the IBRC SL. NARL's results are presented separately in the financial statements. The successful disposal of IBRC assets by the IBRC SL indicates that all bonds issued by NAMA to the Central Bank are likely to be redeemed in 2014.

TABLE 4: NAMA summary cash flow in 2012 and 2013

Cash flow generation	NARL €m	NAMA Group (excluding NARL) €m	2013 NAMA Group Total €m	2012 NAMA Group Total €m
Opening cash balance	**-**	**3,644**	**3,644**	**3,847**
Inflows				
Disposal receipts	-	3,672	**3,672**	3,041
Non disposal income	-	792	**792**	1,210
Repayments from Special Liquidators	1,414	-	**1,414**	-
Other	-	16	**16**	254
Total cash generated	**1,414**	**4,480**	**5,894**	**4,505**
Outflows				
Foreign exchange and debt servicing	(19)	(560)	**(579)**	(745)
Advances to borrowers	-	(665)	**(665)**	(308)
Operating costs and other	-	(144)	**(144)**	(155)
Total operational outflows	**(19)**	**(1,369)**	**(1,388)**	**(1,208)**
Net cash generated	**1,395**	**3,111**	**4,506**	**3,297**
Debt reduction				
Senior bond redemptions	(1,000)	(2,750)	**(3,750)**	(3,500)
Closing cash, cash equivalents and liquid assets	**395**	**4,005**	**4,400**	**3,644**

NAMA's significant cash flow generation during 2013 and from inception reflects its active management of its loan portfolio and underlying assets, including:

- Intensive ongoing management of its debtors and Receivers to ensure adherence to milestones set by NAMA, including property disposal milestones.
- Intensive management of assets so as to derive incremental value from assets prior to disposal.
- Proactive engagement with potential investors and purchasers of NAMA loans to maximise sales proceeds from loan or portfolio asset sales.

DISPOSAL RECEIPTS

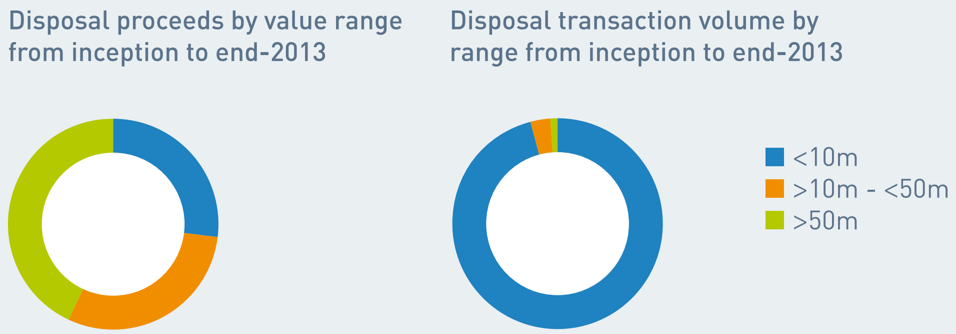
One of NAMA's primary activities is the initiation and management of property and loan disposal transactions. Disposal receipts during 2013 totalled €3.7 billion (2012: €3 billion), comprising property collateral disposals of €3.2 billion (2012: €2.5 billion), loan sale transactions of €0.3 billion (2012: €0.5 billion) and other disposal transactions (including the sale of non-real estate assets and loan redemptions) of €0.2m (2012: €nil) bringing total disposal receipts to €10.9 billion from inception.

During 2013, there were over 1,900 property disposal transactions (2012: 1,400) and 19 loan sale transactions (2012: 13). From inception to end-2013, there have been over 5,000 property disposal transactions and 32 loan sales.

TABLE 5: Analysis of disposal transactions by value and volume

	2013				From inception to end-2013			
	< €10m	>10m - < 50m	> €50m	Total	< €10m	>10m - < 50m	> €50m	Total
Total Disposals (€m's)	1,028	1,138	1,506	3,672	2,969	3,277	4,624	10,870
No. of Transactions	1,928	58	9	1,995	5,359	161	35	5,555
Average Disposal Value (€000's)	533	19,621	167,333	1,841	554	20,354	132,114	1,957

FIGURE J: Analysis of disposals by value and volume from inception to end-2013



Further details on asset disposals are provided in the Business Review section of this Report.

NON-DISPOSAL INCOME

Cash generated during 2013 included non-disposal income of €792m (2012: €1.2 billion).

One of NAMA's key objectives is to manage assets so as to optimise, and capture for debt servicing purposes, their income-producing potential through the generation and collection of rental and other income. The capture and collection of such income to apply towards loan interest and debt reduction was not common prior to NAMA's acquisition of the loans and there appears to have been a significant and widespread leakage of funds. By implementing strategies and operating structures to ensure capture of this income, NAMA has generated substantial incremental non-disposal income from its portfolio.

Furthermore, an integral part of NAMA's day-to-day asset management activity is to ensure that vacant space is made available for rent, that lease terms are enhanced and that rental income is thereby maximised. These initiatives have played a major part in the generation of non-disposal income which has totalled €3.6 billion from inception.

NARL

During 2013 NAMA received €1.4 billion of repayments of capital and interest from the IBRC SL in respect of the loan facility deed and floating charge it acquired from the Central Bank of Ireland following a Direction by the Minister for Finance under the IBRC Act.

PROFITABILITY

TABLE 6: Income statement NAMA Group

	2013 €m	2012 €m
Interest and fee income	1,335	1,387
Interest expense	(375)	(493)
Net interest income	**960**	**894**
Net profit on disposal of loans and property assets; and surplus income	505	188
Foreign exchange loss	(89)	(99)
Derivatives loss	(54)	(38)
Operating costs and other expenses	(124)	(119)
Operating profit before impairment	**1,198**	**826**
Impairment charge	(914)	(518)
Profit for the year before tax and dividend	**284**	**308**
Tax (charge)/credit	(71)	(76)
Dividends	(2)	(4)
Profit for the year	**211**	**228**

NAMA recorded an operating profit before impairment of €1,198m in 2013 (2012: €826m). The overall result after tax and dividends was a profit of €211m for 2013 (2012: €228m). NAMA has reported its third successive year of profit, despite the recognition of an additional impairment provision of €914m.

NET INTEREST INCOME

TABLE 7: Net interest margin – NAMA excluding NARL

	2013 €m	2012 €m	2011 €m
Interest and fee income	1,133	1,387	1,283
Interest expense	(341)	(493)	(512)
Net interest income	**792**	**894**	**771**
Cash generated from non-disposal income	**792**	**1,210**	**1,242**
NAMA Loans and receivables (net of impairment)	**19,598**	**22,776**	**25,607**
Net interest margin	4.0%	3.9%	3.0%

Table 7 shows the net interest margin earned by NAMA on the original loan portfolio (excluding interest earned on the IBRC loan facility deed and interest payable on the NARL Senior Bonds). The fall in net interest income from €894m in 2012 to €792m in 2013 is primarily attributable to a reduction in the loan book (disposal of income-producing properties) and to higher impairment charges. Interest income is recognised at a fixed rate of interest (EIR) which was set by reference to an estimation of cash flows carried out as part of NAMA's due diligence in respect of its original loan portfolio. Interest income is not recognised on any impaired portion of a loan. Debt servicing costs (interest on Senior Bonds and derivatives) decreased due to a decrease in the 6 month Euribor rates reset in March 2013 and September 2013. Average debt servicing costs in 2013 were 1.3% (2012: 1.6%).

NET PROFIT ON DISPOSAL OF LOANS AND PROPERTY ASSETS; AND SURPLUS INCOME

TABLE 8: Net profit on disposal of loans and property assets; and surplus income

	2013 €m	2012 €m
Surplus income on loan repayments in excess of debt	531	172
Net (loss)/profit on disposal of loans and property assets	(26)	16
Total net profit	**505**	**188**

Net profit on disposal of loans and property assets; and surplus income aggregated to €505m in 2013 (2012: €188m) and comprises losses on disposal of loans and property assets of €26m (2012: €16m profit) together with surplus income of €531m (2012: €172m).

NAMA acquired loans from the PIs at a significant discount to the original value of loans originated. The discounted acquisition value is the amount initially recognised by NAMA on its balance sheet as being recoverable over its lifetime. Debtors are still under obligation to repay the original par debt. In cases where debtors generate surplus cash over the original discounted loan values, any such surplus is taken directly to the income statement as profit over acquisition value (or surplus income). As at 31 December 2013, NAMA estimated that it has an unrealised profit of approximately €0.9 billion in respect of such debtors, which if maintained, will be recognised as profit over the remaining life of NAMA.

OPERATING COSTS AND OTHER EXPENSES

TABLE 9: Operating costs and other expenses

	2013 €m	2012 €m
Primary and Master Servicer fees	58	60
NTMA as service provider	41	37
IBRC Integration	7	-
Due diligence costs (net of recovered amounts)	-	4
Portfolio management fees	6	7
Legal fees	3	5
Finance, communication and technology costs	3	3
Other operating costs	6	3
Total Operating Costs and other expenses	**124**	**119**

A breakdown of operating costs and other expenses is provided in Table 9 above. Operating costs and other expenses were €124m in 2013 (2012: €119m). The level of costs represents 2% (2012: 2.6%) of total cash generated during the period which compares favourably with comparable international benchmarks.

NAMA applies stringent cost control and budgeting processes. An annual budget is prepared and actual costs to budget are assessed quarterly and reviewed by the Finance and Operating Committee and the Board.

Following the IBRC liquidation in February 2013, NAMA incurred total costs of €13m which arose as a result of the liquidation. Costs of €7.4m were incurred in transitioning the primary and special servicing of the existing portfolio of €41 billion (PAR debt) from IBRC to Capita. A further €5.7m (including €3.5m in staff costs) was incurred in direct and overhead costs in preparation for the acquisition of any unsold loan assets from the IBRC SL. These costs could not have been anticipated when the 2013 budget was approved by the Board in late 2012. Excluding these exceptional one-off costs, NAMA's operating costs in 2013 were €111m, which compared favourably to a budget of €140m and to 2012 costs of €119m.

IMPAIRMENT

Following completion of its 31 December 2013 impairment review, NAMA has recorded a cumulative impairment provision of €4.1 billion against its loans and receivables portfolio; this means that an additional impairment charge of €914m has been recognised in the 2013 income statement.

TABLE 10: Total loans and receivables

	Carrying value at end-2013 €m
Total loans and receivables	**35,439**
Analysed as:	
Loans and receivables with no objective evidence of impairment	12,270
Loans and receivables assessed for impairment	23,169
Total	**35,439**

LOANS AND RECEIVABLES ASSESSED FOR IMPAIRMENT

TABLE 11: Loans and receivables assessed for impairment

	Carrying value at end- 2013 €m	2013 Impairment Provision €m	2012 Impairment Provision €m	Movement €m	Impairment Coverage %
Impaired portfolio	15,789	3,303	2,629	674	
Unimpaired portfolio	3,804	-	122	(122)	
Loans and receivables assessed for impairment	**19,593**	**3,303**	**2,751**	**552**	**17%**
Collectively Assessed Portfolio	**3,576**	**822**	**512**	**310**	**23%**
Total	**23,169**	**4,125**	**3,263**	**862**[5]	**18%**

Impairment is a key area of judgement in the NAMA financial statements. NAMA carries out a detailed impairment assessment of its loan portfolio on a semi-annual basis.

The 2013 year-end impairment review was based on:

- A detailed assessment of expected future cash flows for all debtor connections which are considered individually significant. These comprised 196 debtor connections with a carrying value of €19.6 billion (2012 €22.2 billion), representing all of the NAMA-managed debtor connections apart from a small number where circumstances did not allow the preparation of cash flow estimates. In total, a coverage rate of 85% (2012: 84%) was achieved.
- The expected future cash flows represent NAMA's best estimate of the cash flows that are projected to be generated by each individually significant debtor. They include estimated cash flows arising from the disposal of property collateral and non-disposal income (such as rental income).
- The remaining original loan book, representing a carrying value of €3.6 billion (2012: €4.1 billion), relates to debtors principally managed by the PIs which have not been individually assessed and which are grouped into a single portfolio for collective assessment. The collective assessment provision has been calculated based on an assessment of a representative sample of PI managed debtors.

5 *The movement in the impairment provision is €862m, which consists of €914m recognised in the income statement and €52m recognised against loans and receivables.*

The net increase in the specific impairment provision of €552m reflects a very detailed review undertaken by NAMA at end-2013 in respect of its individually assessed debtors and with a particular focus on the disposal value of property collateral scheduled for disposal during the period from 2014 to 2016. The Board decided to perform a detailed three-year review at end-2013 compared to a two-year detailed review at end-2012. Based on this assessment, NAMA has adjusted the disposal value of property collateral to reflect market movements since the cash flows were originally prepared (as part of the debtor business plan process) and to reflect also NAMA's current expectations based on market conditions and other available evidence.

The increase in the collective provision reflects a change in the loss rate applied to the collectively assessed debtors as a result of enhanced information on PI-managed debtor cash flows. During 2013, NAMA collated estimated future cash flows for all of the PI-managed debtors. It has used a representative sample of these cash flows to estimate the expected loss levels on this portfolio. The estimated loss rate on the collectively assessed portfolio based on a representative sample of cashflows is 23%, compared to 17% for the individually assessed portfolio and a prior year loss rate of 12.5% for the collectively assessed portfolio.

LOANS AND RECEIVABLES WITH NO OBJECTIVE EVIDENCE OF IMPAIRMENT

The principal balances within this category include:

- IBRC loan facility deed of €11.7 billion secured by a floating charge over certain IBRC assets. The loan facility deed will be repaid by the IBRC SL through the transfer to NAMA of cash following the completion of the sales process. The IBRC SL have completed the sales process and a large portion of the IBRC loan portfolio has been sold to the market. It is likely that the IBRC SL will remit sufficient cash to NAMA during 2014 to permit full redemption of the NAMA Senior Bonds issued to the Central Bank at the time of the IBRC liquidation.
- NAMA has advanced €373m in vendor finance to date (€357m to end-2013) to purchasers of assets being disposed of by NAMA debtors. All the vendor finance transactions are currently performing and as a result there is no evidence of impairment.

FINANCIAL POSITION

TABLE 12: Financial Position

Summary Balance Sheet	**2013** **€m**	**2012** **€m**
Assets		
Cash, cash equivalents and liquid assets	4,400	3,644
Loans and receivables - NAMA	19,598	22,776
Loans and receivables - NARL	11,716	-
Other assets	511	808
Total assets	**36,225**	**27,228**
Liabilities and reserves		
Senior Bonds in issue - NAMA	22,690	25,440
Senior Bonds in issue - NARL	11,928	-
Other liabilities	797	1,376
Total liabilities	**35,415**	**26,816**
Total equity and reserves	**810**	**412**
Equity, reserves and Liabilities	**36,225**	**27,228**

CASH MANAGEMENT

NAMA, under its Board-approved Liquidity Policy, must ensure that it has adequate cash resources to meet all its financial obligations as they fall due, including new lending, debt-servicing costs and collateral payments. Cash requirement levels will vary during the financial year. At 31 December 2013, the NAMA Group had cash, cash equivalents and liquid assets of €4.4 billion, of which NARL accounted for €395m. Permitted liquid asset investments under the NAMA Liquidity Policy are short dated, comprising predominately Irish Government securities.

LOAN PORTFOLIO

NAMA acquired loans with an original par debt value of €74 billion from the PIs for a consideration of €31.8 billion. The NAMA carrying value of the loans at end-2013 is €19.6 billion (2012: €22.8 billion) (net of the cumulative €4.1 billion impairment provision (2012: €3.3 billion).

The concentration of the property portfolio securing NAMA's remaining loans by region and by sector is outlined in **Figures K-M**.

The analysis in **Figure K** shows that 56% of NAMA's remaining portfolio is concentrated in the Republic of Ireland with Dublin representing 38% of the total portfolio. As a result, the performance of the Dublin portfolio will be a crucial factor in NAMA's long term performance.

Of the Dublin portfolio (**Figure L**), the main segments are office 24%, residential 20% and land and development 28%. As noted in the business review, the Asset Management division has identified a number of prime Dublin development sites which are suitable for development through debtor funding or joint ventures in the future.

As regards the remaining portfolio in Ireland, there are significant concentrations in Cork, Galway and Limerick and in the counties close to Dublin. The main concentrations by sector outside of Dublin are retail 31%, land and development 27% and residential 15%.

44% of NAMA's remaining portfolio is outside of Ireland. Britain accounts for 30% of the overall NAMA portfolio. Assets in London – predominantly large residential development projects - account for 18% of the total portfolio.

NAMA assesses its remaining portfolio on an ongoing basis. Planned asset disposals and expected cash flows from asset sales are updated and reported to management on a weekly basis.

FIGURE K: NAMA-managed portfolio by location and sector – 31 December 2013

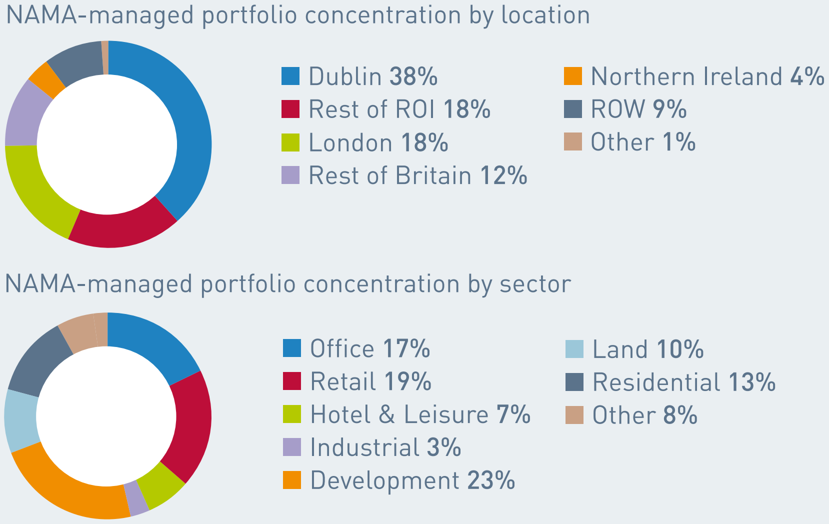


FIGURE L: NAMA-managed Dublin and Rest of ROI portfolio by sector – 31 December 2013

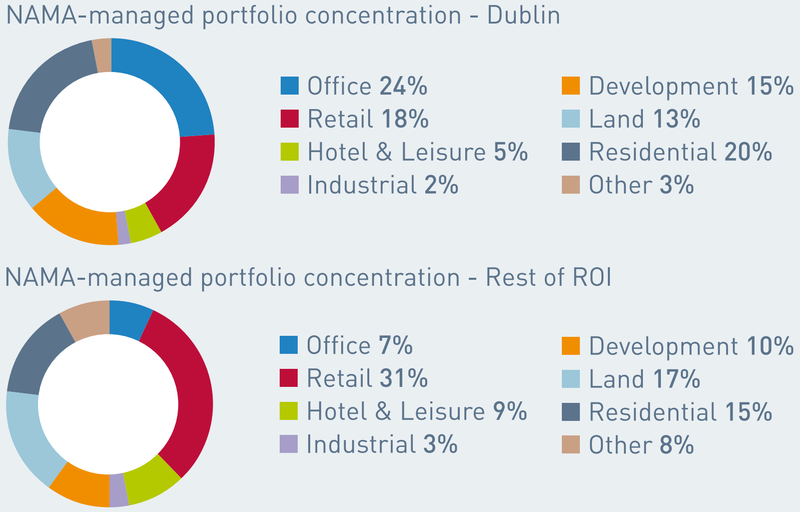
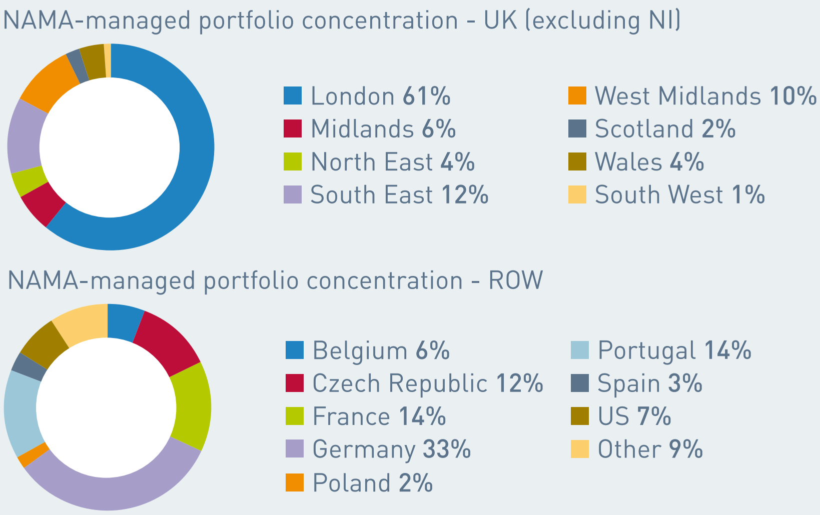


FIGURE M: NAMA-managed UK (excluding NI) and ROW portfolio by location – 31 December 2013



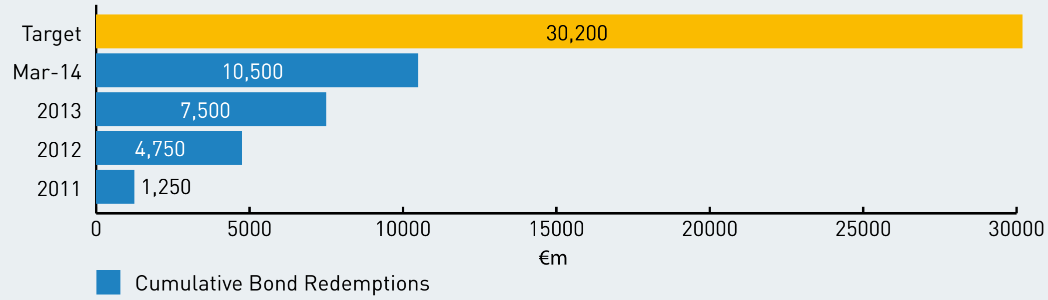
SENIOR BOND REDEMPTIONS

NAMA Senior Bond Redemption

By end-2013 NAMA achieved its Senior Bond redemption target of €7.5 billion in respect of its existing portfolio (25% of NAMA's original Senior Bond issuance).

By end-March 2014, NAMA had redeemed an additional €3 billion of its existing Senior Bonds bringing the cumulative Senior Bond redemption to €10.5 billion equivalent to 35% of the original Senior Bond issuance in 2010/2011. The €10.5 billion cumulative Senior Bond redemption as at end-March 2014 represents significant progress and puts NAMA in a strong position to redeem 50% of its Senior Bonds by the end of 2014.

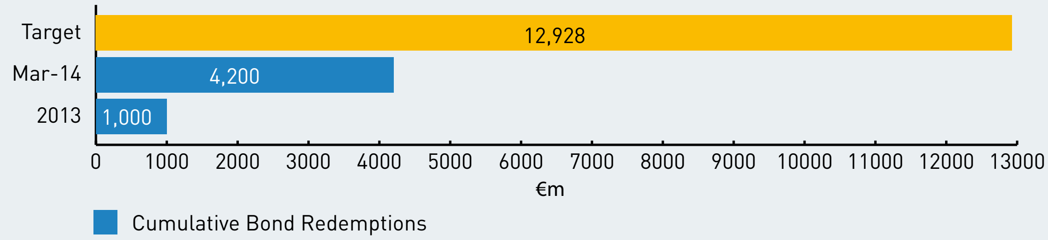
FIGURE N: Target bond redemption versus cumulative actual redemption - NAMA



NARL Senior Bond Redemption

In addition in 2013 NAMA also redeemed €1 billion of the €12.9 billion of Senior Bonds issued in connection with the acquisition of the IBRC loan facility deed and floating charge. During 2014 NAMA has redeemed an additional €3.2 billion of the Senior Bonds issued in respect of the acquisition of the IBRC loan facility deed and floating charge bringing the cumulative redemption to €4.2 billion of the Senior Bonds issued in March 2013.

FIGURE O: Target bond redemption versus cumulative actual redemption - NARL



A summary of the movement in loans and receivables is provided below:

TABLE 13: Summary of movement in NAMA (excluding NARL) loans and receivables

	NAMA Debt 2013	Par Debt Value 2013	NAMA Debt 2012	Par Debt Value 2012
	€m	€m	€m	€m
Loans and receivables - opening balance	**22,776**	**70,812**	**25,607**	**72,463**
Cash receipts	(4,295)	(4,295)	(4,176)	(4,176)
Interest income	1,058	1,973	1,222	2,430
Loan acquisitions / valuation adjustments	19	53	(118)	63
Working capital advances	665	665	308	308
Profit on loan sales, property and surplus income	502	-	188	-
Loan sale movement	-	(1,029)	(5)	(947)
Debt compromise/Write off	-	(261)	-	(55)
Foreign Exchange and other movements	(265)	(778)	262	726
	20,460	**67,140**	**23,288**	**70,812**
Impairment provision - incremental charge[6]	(862)	-	(512)	-
Loans and Receivables - closing balance	**19,598**	**67,140**	**22,776**	**70,812**

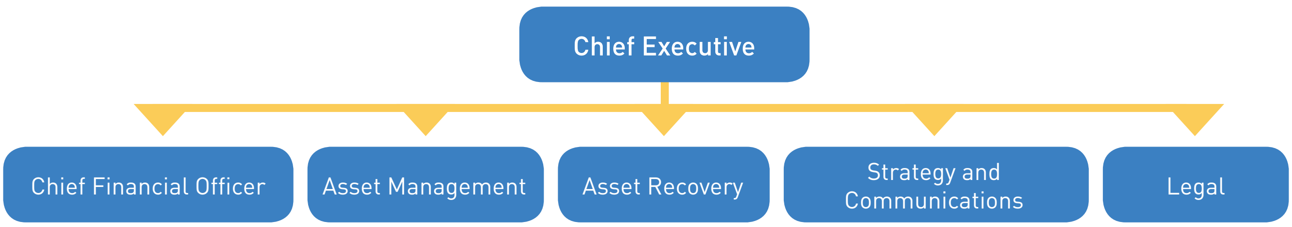
6 *The movement in the impairment provision is €862m, which consists of €914m recognised in the income statement and €52m recognised against loans and receivables.*

NAMA ORGANISATION AND SERVICE PROVIDERS

ORGANISATIONAL STRUCTURE

NAMA, through the NTMA, has recruited staff with a diverse range of skills and experience from disciplines such as banking, finance, law, property, insolvency and planning, among others. In late 2011, the Board approved a revised organisational structure designed to respond effectively and dynamically to the challenges ahead. The reorganisation, which was implemented in April 2012, involved the restructuring of the Agency into five divisions.

FIGURE P: NAMA organisational structure



STAFF RESOURCES

The number of NTMA staff assigned to NAMA was 331 at end-2013. Between inception and end-March 2014, 64 members of staff had resigned, including 29 resignations during 2013.

ASSET RECOVERY

The Asset Recovery division which, at end-December 2013, comprised 190 staff has three primary functions: strategy delivery, management of debtors and Receivers and maximising cashflow while minimising loss.

Asset Recovery is NAMA's principal interface with debtors and Receivers and is responsible for over 99% of the debtor connections (by number), both directly managed by NAMA and indirectly managed through the PIs and Capita. This responsibility requires intensive daily management with an innovative and solutions-based approach employing a range of workout methods including the following:

- Setting and actively monitoring clear strategies, targets and milestones;
- Minimising debtor and Receiver costs;
- Securing and maximising income;
- Optimising sales values through proactive asset management;
- Providing additional capital expenditure funding where incremental value can be obtained or value protected;
- Advancing vendor finance for appropriate asset sales;
- Executing sales of property portfolios or loans where appropriate;
- Reviewing, on a regular basis, asset sale versus asset hold options, using discounted cash flow analysis.

During 2013, Asset Recovery appointed property sector specialists for key portfolio sectors such as retail, offices, residential, hotels and land to assist case managers in preparing suitable strategies for assets under the control of debtors and Receivers.

A Transaction Execution team was also formed to manage the increasing number of property portfolio sales and loan sales transactions across debtor connections.

Nama-Managed Portfolio

The NAMA-managed portfolio includes 217 debtor connections with original par debt of €61 billion (€55 billion of current par debt). All but three[7] of these debtor connections are managed by 9 multidisciplinary Asset Recovery teams of 9/10 staff per team which engage directly with debtors in relation to business plans, credit applications and monitoring of targets and performance.

Reviews of all debtor connection business plans have been completed. Invariably, NAMA sought significant amendments to the business plans as originally submitted and this process gave rise to difficult and intensive negotiations on contentious issues, for example Principal Dwelling House, early asset sales, reduction of overheads, reversal of previous asset transfers and securing charges over otherwise unencumbered assets. Implementation of NAMA-approved business plans is now well underway and this has been reflected in the level of cash generation to date.

7 *Three substantial UK-based debtor connections are managed by NAMA's Asset Management team.*

NAMA ORGANISATION AND SERVICE PROVIDERS (CONTINUED)

The Division is structured as follows:

FIGURE Q: Structure of Asset Recovery division

NAMA-Managed Portfolio and Insolvency Team	PI/Capita-managed Portfolio	Business Management
11 teams **109 staff**	**3 teams** **45 staff**	**5 teams** **36 staff**

PI/Capita-managed portfolio

The PI/Capita-managed portfolio includes 563 debtor connections with €13 billion of original par debt (€11.8 billion of current par debt).

Following the liquidation of IBRC on 7 February 2013, Capita was appointed to provide primary and special services on the portfolio formerly managed on NAMA's behalf by IBRC.

NAMA's enforcement activity (page 17) is overseen by a team of specialist insolvency practitioners (based in the Asset Recovery division) in conjunction with the Legal division.

Both the NAMA-managed and PI/Capita-managed portfolios are supported by Asset Recovery Business Management which includes Asset Search, Policy and Portfolio Operations teams.

DEBTOR CASH FLOWS

The Asset Recovery division is primarily responsible for direct engagement with debtors and for optimising the cashflows generated by debtor assets so as to enable key debt repayment targets to be met. Figure R below presents annual aggregate cashflows arising from disposal proceeds and other (mainly rental) income from 2010 to end-2013:

FIGURE R: Receipts from debtors 2010-2013

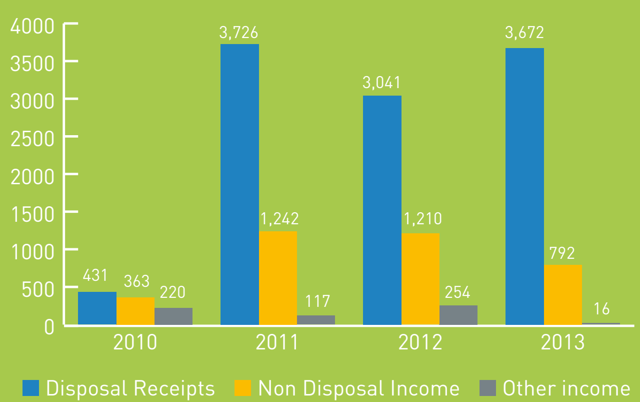


TABLE 14: Breakdown of the PI/Capita-managed debt at end-2013.

	AIB	BOI	Capita	Total
Debtor connections	213	56	294	563
Par Debt (€ billion)	4.9	2.0	4.9	11.8
NAMA Debt (€ billion)	2.2	1.0	1.5	4.7

ASSET MANAGEMENT

The Asset Management Division was engaged throughout 2013 in managing specific projects that had been identified as suitable for the team's specialist real estate and capital skills. These are key development schemes which are considered to be commercially viable based on current or prospective demand and pricing in two main locations, Dublin and London.

In line with the team's processes, all projects are subject to robust 'sell-hold' interrogation tests at various stages in their evolution and this testing has meant that certain projects originally intended for development have instead been sold.

In Ireland, significant progress was achieved during the year on planning issues associated with assets within Asset Management's scope. Applications are lodged or are being prepared for some 1,000 housing units in the Dublin region. The Asset Management division is supporting housing schemes that are currently under development in the Fingal and South Dublin County Council areas.

Asset Management has engaged closely with local authorities, the DECLG, the National Transport Authority and other agencies, on national and local initiatives, including actively contributing to the Local Area Plan, Development Plan and SDZ processes.

A particular focus of Asset Management has been the Dublin Docklands, where NAMA has security over substantial land holdings. Asset Management has been actively contributing to the SDZ process here, with the aim of creating an environment conducive to viable and sustainable commercial and residential development.

Asset Management is also directly managing a number of specific development or redevelopment opportunities in Dublin's Docklands, where intensive intervention is creating opportunities for important and valuable outcomes.

Outside of Ireland, Asset Management's focus has been on the London residential market where NAMA has provided funding for the construction of 5,000 units. Strong demand has meant that less than 1,000 of the units remain available for pre-sale and NAMA's development funding here will generate significant returns for Irish taxpayers.

Asset Management also directly manages three of the Agency's larger debtor connections with aggregate par debt of €4 billion, principally secured by property located in London.

The Asset Management division manages two NAMA initiatives: the provision of social housing (see pages 30 - 31) and the Deferred Payment Initiative (see page 21). In addition, during 2013, Asset Management launched a number of new mechanisms to enable NAMA to participate in asset enhancement and development, including setting up and participating in two Qualifying Investment Funds ('QIFs'), relating to assets in the Dublin Docklands. It is likely that similar initiatives will be pursued as market recovery expands.

With its property market knowledge and experience, the Asset Management division will continue to be an important resource for NAMA, particularly given the imperative of addressing supply shortages in the Dublin residential and office sectors over the coming years.

ASSET MANAGEMENT - QIF

As one of a number of market activation initiatives, NAMA acquired a minority shareholding in a new QIF that was authorised by the Central Bank on 2 July 2013. The South Docks Fund is a sub-fund of Targeted Investment Opportunities plc, an umbrella fund with segregated liability between sub-funds.

The co-investors in the QIF are Los Angeles-headquartered private equity firm, Oaktree Capital Management ('Oaktree'), Irish based property and construction group Bennett Group ('Bennett') and NAMA. Oaktree is the investment manager and Bennett is the property manager. The objective of the QIF investors is to combine their respective ownership of development lands in Dublin's South Docks, procure planning consents and proceed to develop the lands.

NAMA also acquired a 20% shareholding in Gangkhar plc, a QIF fund set up a result of Project Aspen which was negotiated and is managed by the Asset Management team.

NAMA will evaluate the benefit of participating in similar QIFs, should suitable opportunities arise.

NAMA ORGANISATION AND SERVICE PROVIDERS (CONTINUED)

STRATEGY AND COMMUNICATIONS

The Strategy and Communications Division is responsible for strategic analysis of the portfolio and for developing strategies for NAMA on how to obtain the best achievable return on the portfolio. Its functions include regular formal review of NAMA strategy and the design and implementation of new products.

The division also has responsibility for managing NAMA's communications activity, including the co-ordination of NAMA's engagement with the media, State agencies and with other key NAMA stakeholders.

Strategic Planning

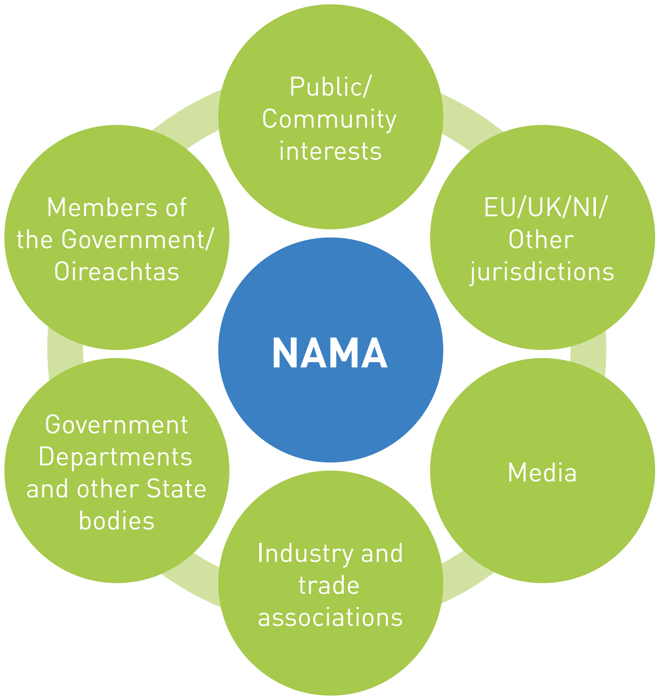
The Strategic Planning team makes recommendations to the Executive and Board as to the most appropriate strategies for NAMA to pursue in the context of its statutory objectives. The team analyses portfolio data and developments and trends in the market with a view to formulating appropriate recommendations. It monitors and reports performance on a number of key elements of NAMA Strategy.

The Strategic Planning team also participates in industry and inter-governmental discussions about public policy for the property and construction sectors and has a role in new product development. It is currently leading NAMA's engagement with the ESRI in a research programme which will produce research reports on topics related to future supply and demand for residential housing in Ireland.

Communications

The NAMA Communications function is concerned with how best to communicate with stakeholders who have a legitimate interest in NAMA's

FIGURE S: Key NAMA stakeholders



activities to ensure that they are well informed about those activities and have a strong appreciation of the rationale behind initiatives undertaken by NAMA.

NAMA's principal engagement is with debtors and potential purchasers of assets controlled by its debtors and Receivers and this engagement is conducted largely by the Asset Recovery and Asset Management teams. As the activities of NAMA debtors and Receivers have an impact on the wider economy and society, there is a diverse range of other stakeholders with an interest in those activities and that creates a corresponding obligation on NAMA to ensure that its perspective is communicated to those stakeholders.

Public representatives

Given NAMA's scale and its potential impact on the Irish economy and society, public representatives, acting on behalf of their constituents, have a legitimate interest in NAMA's activities and NAMA, in turn, is keen to ensure that representatives are well informed about those activities, subject to commercial and banking law constraints and to the confidentiality provisions of the Act. NAMA engages with public representatives through a number of channels including appearances by the Chairman, the Chief Executive and senior executives at Oireachtas committees. It also provides a dedicated email channel which enables Oireachtas members to raise particular issues of concern to their constituents, for example, matters relating to unfinished estates, health and safety issues associated with derelict properties and assisting local community groups in identifying properties for their needs. A similar email channel is available to members of the Northern Ireland Assembly. NAMA also deals with issues of public concern through replies to Parliamentary Questions ('PQs') submitted to the Minister on

FIGURE T: Structure of Legal division

NAMA-Managed	PI/Capita-managed	Corporate Services & Operations	Property Portfolio Sales
4 teams	**5 teams**	**1 team**	**1 team**

NAMA matters (there were over 240 such PQs in 2013).

More generally, NAMA seeks to provide as much information to the public as is possible given constraints imposed by commercial imperatives, banking confidentiality law and specific restrictions imposed by the Act on the release of confidential information (Sections 99 and 202). This is partly done through normal channels such as press statements, speeches, responses to press queries, website updates and information leaflets on particular topics (example below).

NAMA also deals with a monthly average of about 130 email queries (through info@nama.ie) and an average of about 150 phone queries per month from members of the public. NAMA responds to each query within two business days.

LEGAL

The Legal Division provides independent advice to the Board, the CEO and to NAMA business divisions on a range of legal issues that affect NAMA and its operations. At end-December 2013, it comprised of a team of 48 legal professionals and support staff with expertise in commercial and residential property, banking and finance, insolvency and litigation.

The Legal Division provides legal advice and solutions to all NAMA business divisions. It is directly involved in all aspects of consensual and non-consensual strategies including: loan and property portfolio disposals; debt restructuring; asset management strategies; lending operations; enforcement and post-enforcement strategies; and litigation management across NAMA's total portfolio of par debt of €67 billion. The Legal Division also advises on the operational structures underpinning loan servicing by the PIs and NAMA's other master, primary and special servicers. Advice is also provided on NAMA's public procurement obligations.

The Legal Division has provided strategic legal advice in identifying and managing legal risk on debt restructuring of more than €10 billion, property and loan sales of €12.4 billion and enforcements of €3 billion.

NAMA-managed portfolio

The Legal Division provides legal advice and transactional services to the Asset Recovery and Asset Management teams in respect of the NAMA-managed portfolio of 217 debtor connections. Following the review of debtor business plans, Legal advises Asset Recovery and Asset Management on the implementation of NAMA's preferred strategy for each debtor connection including all new project funding, supervision of asset sales, restructuring of loans and security, loan sales, reversal of asset transfers, perfection of security and the taking of security over unencumbered assets.

Capita-managed portfolio

The Legal Division has assigned four dedicated teams to provide legal advice and transactional services to the Asset Recovery teams in respect of the Capita-managed portfolio of 294 debtor connections which transferred from IBRC management in August 2013. The Legal team has undertaken a critical review of strategy on all 294 connections and has made significant progress on implementing legal milestones arising from those agreed strategies.

PI-managed portfolios

The Legal Division provides advice and policy guidance to Asset Recovery in respect of the PI-managed portfolio which includes 269 debtor connections managed by AIB and BOI and provides direction and guidance to the legal teams in those PIs on legal issues arising on that portfolio. The Legal Division is also involved in documenting service standards and resolving service issues with the PIs.

NAMA Board and Group

The Legal Division advises the Board and NAMA Group companies on legal issues, corporate governance and compliance obligations. The Legal Division manages the governance structures of the NAMA SPVs, advises on the set up and

NAMA ORGANISATION AND SERVICE PROVIDERS (CONTINUED)

TABLE 15: Litigation summary

	Total	Completed	Ongoing	Successfully defended/ Litigation Successful/ Favourable outcome achieved
Proceedings against NAMA	33	15	18	14
Proceedings commenced by NAMA	118	60	58	60

establishment of all new SPVs and other on balance sheet transactions and advises on NAMA's debt funding programmes.

Litigation

The Legal Division manages all litigation initiated or defended by NAMA in Ireland and overseas jurisdictions, both in connection with its portfolio of loans and otherwise. During 2013, NAMA successfully dealt with a number of judicial review challenges. The value of judgements obtained in the Irish courts since inception is in excess of €2.3 billion. A summary of NAMA's litigation is included in **Table 15** above.

Operations and Cross Functional Projects

The Legal Division advised on all matters impacting NAMA arising from the liquidation of IBRC including the acquisition of the facility deed and floating charge form the Central Bank, the potential acquisition of loans from the IBRC SL, dealing with the impact of the closure of IBRC bank accounts, the transfer of loan servicing from IBRC to Capita and the procurement and negotiation of service agreements and operating models with new loan servicers. The Division advised on and implemented the delivery of social housing units to approved housing bodies through outright purchases and a long term leasing model.

CHIEF FINANCIAL OFFICER

The Chief Financial Officer's direct areas of responsibility include Finance, Operations, Systems, Tax, Treasury and Audit & Risk.

Finance

The Finance team has responsibility for managing the organisation's financial and management reporting requirements. It comprises the following areas of responsibility:

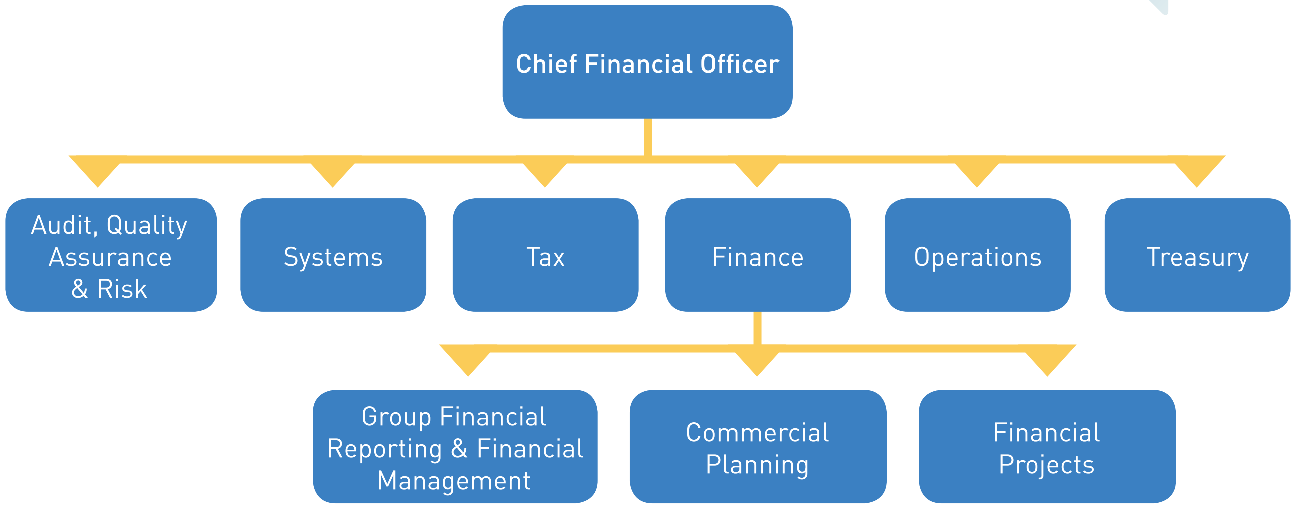
Group Financial Reporting and Financial Management

- Preparation of Section 55 Quarterly Report and Accounts.
- Preparation of Annual IFRS Financial Statements.
- Liaison with external auditors regarding the year-end audit process.
- Monitoring and control of the organisation's operating costs.
- Advising on appropriate accounting, compliance and business administration considerations as part of new NAMA business initiatives (for example, the social housing initiative).
- Provision of advice on the set-up and establishment of new SPVs and other on-Balance Sheet transactions including equity investments and joint ventures.
- Performance of key reconciliations of the loan data provided by the PIs/Master Servicer.
- Management and control of loan data contained in the NAMA Loans Warehouse ('NLW') which provides source data for reporting and management information.
- Overseeing the recording of debtor transactions in both the PI and NAMA systems.

Commercial Planning

- Reporting of organisational key performance indicators ('KPIs') to Board, Board Committees and the Senior Executive Team.
- Preparation of regular management information for the NAMA business units.
- Preparation of external presentations for key NAMA investors and stakeholders.
- Preparation of annual budgets and other forecasts.
- Ongoing monitoring and reporting of forecast asset sales and associated cash flows.
- Management of the bi-annual impairment process.
- Supporting the NAMA business units on key projects and transactions.
- Development of NAMA's management information and business intelligence platform.

FIGURE U: Structure of CFO division



Financial Projects

- Management of projects to support the ongoing development of the Finance function and participation in cross-functional projects.
- Implementation of Finance requirements in relation to the IBRC Integration Project.
- Maintenance and development of the NLW system.
- Liaison with the PIs, Master Servicer and internal stakeholders regarding the delivery of loan data and information requirements.

Operations

The Operations team has responsibility for:

- Servicer management – Oversight and relationship management of NAMA's service providers including the PIs and Capita (as Primary and Master Servicer).
- Project management – oversight of operational projects within NAMA. Key 2013 achievements included, inter alia:
    - Overseeing the re-establishment of normal banking activities following the liquidation of IBRC.
    - Implementation of an operating model for the new service provider to the IBRC- administered part of NAMA's original book.
    - Enhancing visibility and control of rental income generated by secured assets.
- Central services:
    - Provision of internal operational services to support the Agency in meeting its objectives including settlement of major transactions.
    - Management of cash advances to debtors for capital and operational expenses.
    - Opening of debtor current accounts.
- Data governance:
    - Data quality of key NAMA systems.
    - Classification and analysis of all cash receipts.
    - Monitoring of non-disposal income receipts against budget.
    - Collation and recording of asset disposals.

Systems

The Systems team has responsibility for:

- The development, management and implementation of all NAMA's systems. The focus of work in 2014 is on the ongoing integration of NAMA core systems to deliver an integrated systems platform to support the NAMA business users and enhancing the systems to facilitate the take-on of data from IBRC.
- Oversight of the data stored within NAMA's systems by ensuring appropriate procedures are in place for requesting and granting appropriate systems access; and for executing regular reviews of access that is in place.

NAMA ORGANISATION AND SERVICE PROVIDERS (CONTINUED)

Tax

Tax has responsibility for:

- Managing the organisation's tax compliance obligations.
- Designing, implementing and overseeing structures and protocols, both within NAMA and the PIs, to ensure that debtor/Receiver taxation issues are appropriately considered as part of property and loan transactions.
- Advising on appropriate tax planning and structural considerations as part of new NAMA business initiatives (for example joint ventures).

Treasury

Treasury has responsibility for the management of NAMA's balance sheet risks and its liquidity requirements. Its main activities include:

- Management of NAMA's day-to-day funding and liquidity requirements.
- Balance sheet asset and liability management (ALM), including management of currency and interest rate risks.
- Monitoring and forecasting NAMA's medium and long-term liquidity.
- Management of NAMA's Senior Bond issuances and redemptions.

Audit and Risk

Audit and Risk has responsibility for:

- The design and implementation of the NAMA Risk Management Framework.
- Providing independent assessment of, and challenge to, the adequacy of the control environment and critical organisation processes (for example impairment).
- Supporting the NAMA CFO to ensure that NAMA operates within Board-approved risk limits and tolerances.
- Coordination of the internal and external audit activities across NAMA, PIs and Master Servicer.
- Monitoring and reporting to the Audit Committee and Board on progress in addressing actions highlighted in audit findings.
- Oversight of NAMA's Quality Assurance function.

SERVICE PROVIDERS TO NAMA

NTMA

Under Section 41 of the Act, the NTMA provides NAMA with business and support services, including HR, IT, Market Risk analysis and the execution and processing of hedging transactions. NAMA reimburses to the NTMA the cost of these services which was €41m (including staff costs) in 2013.

By end-2013, NAMA had, through the NTMA, recruited over 331 staff with extensive experience and expertise in the areas of lending, property, accountancy, law, banking and credit. For any potential employee to be assigned to NAMA, the NTMA must ensure that the person meets the character standards set out in Section 42 of the Act, has no material conflict of interest and provides to the NTMA a statement of interests, assets and liabilities.

PIs – SERVICING OF NAMA LOANS

Five institutions (and their subsidiaries) were designated as PIs by the Minister in February 2010. On 1 July 2011, the business of Irish Nationwide Building Society transferred to Anglo Irish Bank and, on 14 October 2011, the combined entity changed its name to IBRC. EBS Building Society was acquired by AIB on 1 July 2011 and now operates as a subsidiary of AIB. The NAMA Units of the former Anglo and INBS were merged into one unit in 2012 as were the NAMA Units of AIB and EBS.

In February 2013, following the appointment of Special Liquidators to IBRC, NAMA invoked a clause in its Master Servicer agreement with Capita enabling the appointment of Capita as the back-up service provider to manage the IBRC NAMA loan portfolio. The transition of the NAMA portfolio from IBRC in Special Liquidation to Capita was planned to occur over three distinct phases. The first phase, transfer of the case management activities, took place in August 2013 and the second phase, the transfer of loan and treasury services, was completed in December 2013. The final phase – the transfer of IT services - is scheduled to complete by Q3 2014.

The two remaining PIs, AIB and BOI, and the new Service Provider, Capita, are required to apply best industry practice in their management of NAMA loans. They have established dedicated units to manage NAMA loans and they are required to ensure that these units operate on the basis of a segregation of staff, systems, data and infrastructure from other parts of the institution.

Under Section 131 of the Act, NAMA issued a Direction to each of the PIs setting out their detailed obligations in relation to the services they provide to NAMA. Similarly, in the case of Capita, these obligations were set out in the Capita Interim Operating Model Agreement ('Capita IOM').

The Direction and the Capita IOM cover such issues as governance structure and procedures, credit management procedures, customer relationship procedures, procedures for monitoring performance and procedures for reporting to, and working with, NAMA and the Master Servicer.

Regular Steering Committee meetings are held between NAMA and each PI and Service Provider to oversee service delivery and performance. NAMA has assigned teams of staff to each of the PIs and to Capita. The teams are based in the NAMA units within the PIs and Capita and have oversight of the management of NAMA debtors. In addition, the PIs and Capita are monitored by reference to performance indicators and they are required to meet or exceed pre-determined Service Levels.

Fees for services provided by the PIs to NAMA are calculated on the basis of the lower of 10 basis points (0.1%) of nominal loan value or actual costs incurred. In the case of Capita, the fee is based on the size of the loan portfolio under management. Aggregate service providers' fees payable in respect of 2013 was €54.8m; this was payment for the work of all staff employed by them to carry out loan administration and to manage NAMA's engagement with 563 debtor connections whose loans are not directly managed by NAMA.

NAMA ORGANISATION AND SERVICE PROVIDERS (CONTINUED)

MASTER SERVICER

Capita, in its capacity as Master Servicer, collates loan data and provides NAMA with consolidated financial and management information on its portfolio. A fee of €3m was paid to Capita, as Master Servicer, in respect of 2013.

PROCUREMENT

From time to time, NAMA requires the assistance of specialist service providers in order to meet its statutory objective of obtaining the best achievable financial return for the State. A key criterion in the selection of service providers by NAMA is the extent to which they can provide value for money for the taxpayer.

NAMA as a contracting authority is subject to EU Directive 2004/18/EC as implemented in Ireland by the European Communities (Award of Public Authorities' Contracts) Regulations 2006 ('the Regulations'), in respect of the procurement of goods, works and services above certain value thresholds set by the EU.

Such tenders as they arise are advertised via the Irish Government and public sector procurement website www.etenders.gov.ie. The principles underpinning the Regulations are equal treatment, non-discrimination, mutual recognition, proportionality and transparency. 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 competitive process designed to obtain the best value for money that can be achieved. NAMA supports small and medium sized businesses in Ireland where that is possible without compromising its value for money principles.

A list of the tenders run via the etenders website and their results can be viewed on the NAMA website, www.nama.ie

GOVERNANCE

BOARD MEMBERS

1 Mr. Frank Daly

Chairman *(appointed 22 December 2009 for a 5-year term)*

- Chairman of Northern Ireland Advisory Committee

Frank Daly was appointed as a Public Interest Director of Anglo Irish Bank in December 2008. He resigned from this post on 22nd December 2009 when appointed Chairman of NAMA.

Mr Daly retired as Chairman of the Revenue Commissioners in March 2008 having been Chairman since 2002 and a Commissioner since 1996. He had joined Revenue in 1963.

In March 2008, Mr Daly was appointed Chairman of the Commission on Taxation which was set up to review the structure and efficiency of the Irish taxation system; the Commission issued its Report in September 2009.

2 Mr. John C. Corrigan

Board member *(ex-officio)*

- Member of the Risk Management Committee
- Member of the Planning Advisory Committee

John Corrigan was appointed Chief Executive of the NTMA in December 2009. He joined the NTMA in 1991 shortly after its establishment and was initially responsible for managing the domestic component of Ireland's National Debt. In 2001, Mr. Corrigan was involved in the establishment of the National Pensions Reserve Fund and was the Fund's Investment Director until his appointment as NTMA Chief Executive.

Before joining the NTMA, Mr. Corrigan was Chief Investment Officer of AIB Investment Managers, having previously worked in the Department of Finance.

3 Mr. Oliver Ellingham

Board member *(appointed 10 April 2013 for a 5-year term)*

- Chairman of the Risk Management Committee
- Member of the Audit Committee

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 Chairman and owner of Woking Storage Solutions. He previously also held senior management roles within Charterhouse Bank (now part of the HSBC Group) and Robert Fleming (now J P Morgan) and served as a member of the Board of IBRC from October 2011 to February 2013.

4 Ms. Éilish Finan

Board member *(appointed 22 December 2009 for a 4-year term).*

Term of Appointment completed 21 December 2013

- Chairperson of the Finance and Operating Committee
- Member of the Audit Committee
- Member of the Northern Ireland Advisory Committee

Éilish Finan is a Chartered Director and holds independent non-executive directorships in a number of Boards within the financial services and property sectors. In her earlier career, Ms. Finan was Chief Financial Officer and Director with AIG Global Investments specialising in investment management, fund management, trustee and custodial services and asset management. Prior to this, Ms. Finan worked with KPMG as a chartered accountant. She is a Board member of JP Morgan Bank Ireland. She is a Fellow of Chartered Accountants Ireland and an Electronic Engineer. Ms. Finan completed her term of appointment on the Board of NAMA and on a number of Board committees in December 2013.

5 Ms. Mari Hurley

Board member *(appointed 8 April 2014 for a 5-year term)*

- Chairperson of the Finance & Operating Committee
- Member of the Planning Advisory Committee
- Member of the Risk Management Committee

Mari Hurley was appointed to the NAMA Board by the Minister on 8 April 2014. Ms. Hurley is the Chief Financial Officer of Web Reservations International. She was previously Finance Director of Sherry FitzGerald Group and also worked at Bear Stearns Bank plc. She is a Fellow of the Institute of Chartered Accountants in Ireland having trained and qualified with Arthur Andersen. Ms. Hurley has a Bachelor of Commerce degree from University College Cork. She is a director of Bord Gáis Éireann.

6 Mr. Brendan McDonagh

Chief Executive

- 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

Brendan McDonagh was appointed Chief Executive Officer of NAMA by the Minister in December 2009. Prior to that, he was the Director of Finance, Technology & 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.

7 Mr. Brian McEnery

Board member *(initially appointed 22 December 2009 for a 4-year term and re-appointed for a 5 year term on 22 December 2013)*

- Chairperson of the Audit Committee
- Member of the Credit Committee
- Member of the Northern Ireland Advisory Committee

Brian McEnery (FCCA) specialises in corporate rescue and insolvency and is a partner in a leading firm of accountants and business advisors and practices in Limerick and Dublin. He is a Fellow of the Association of Chartered Certified Accountants ('ACCA') and a council member of ACCA. In 2010 he was the President of ACCA Ireland. He is a director of the Consultative Committee of Accounting Bodies and serves on its insolvency committee in Ireland.

8 Mr. John Mulcahy

Former Head of Asset Management, NAMA.

Appointed to the Board on 7 March 2012 for a 5-year term.

Resigned from NAMA and from the Board with effect from 17 January 2014.

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

John Mulcahy is a chartered surveyor and has worked in all aspects of the property industry for over 40 years, most recently concentrating on property investment and asset management.

9 Mr. Steven A. Seelig

Board member *(appointed 26 May 2010 for a 3-year term)*

Term of Appointment completed 25 May 2013)

- Chairperson of the Risk Management Committee
- Member of the Audit Committee

Mr. Steven A. Seelig is a Principal and CEO of Financial Stability Associates, a consulting firm specialising in the spectrum of financial stability issues. Prior to establishing Financial Stability Associates, Mr. Seelig served as Advisor in the Monetary and Capital Markets Department of the International Monetary Fund ('IMF') where he had primary responsibility for the financial sector restructuring and resolution activities of the department. Mr. Seelig spent the bulk of his professional career at the Federal Deposit Insurance Corporation ('FDIC'), holding a broad range of positions, including Chief Financial Officer and Director of Divisional Liquidation. Mr. Seelig also worked as an Economist at the Federal Reserve Bank of New York and as an Associate Professor of Economics at Fordham University. Mr. Seelig completed his term of appointment on the Board of NAMA and on a number of Board committees in May 2013.

10 Mr. Willie Soffe

Board member *(initially appointed 22 December 2009 for a 4-year term and re-appointed for a 5 year term on 22 December 2013)*

- Chairperson of the Credit Committee
- Chairperson of the Planning Advisory Committee
- Member and interim Chairperson of the Finance and Operating Committee
- Member of the Northern Ireland Advisory Committee

Willie Soffe has over 45 years' service in Local Government in the Dublin area, during which time he has held the positions of Assistant City Manager, Dublin Corporation (now Dublin City Council) and County Manager, Fingal County Council.

Since retiring in 2004, Mr. Soffe has carried out a number of public service assignments including Chairman of the Dublin Transport Office, a member of the Commission on Taxation and a member of the Steering Group on the Review of Area-Based Tax Incentive Renewal Schemes.

BOARDS AND COMMITTEES OF THE BOARD

Under section 19 of the Act, the Board comprises a Chairman and eight members. The Chairman and six members are appointed by the Minister 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 provided for under 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.

Three members of the Board were appointed by the Minister on 22 December 2009: Frank Daly (Chairman) (5 years), Brian McEnery (4 years), and Willie Soffe (4 years). Brian McEnery and Willie Soffe were re-appointed for a further 5 years from 22 December 2013. Oliver Ellingham was appointed by the Minster on 10 April 2013. Mari Hurley was appointed by the Minster on 8 April 2014. The two *ex-officio* members of the Board are John Corrigan (Chief Executive of the NTMA) and Brendan McDonagh (Chief Executive Officer, NAMA).

During 2013, Steven Seelig, appointed by the Minister on 26 May 2010 for a three year term, and Éilish Finan appointed by the Minister on 22 December 2009, completed their terms of appointment on 25 May 2013 and 21 December 2013 respectively. John Mulcahy (former Head of Asset Management, NAMA) who was appointed to the Board by the Minister on 7 March 2012 resigned with effect from 17 January 2014. There are currently two vacancies on the Board.

The terms of office of Board members range between three and five years and 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[8] do not receive any additional remuneration for their membership of the Board.

During 2013 the Board met on 25 occasions while the six Committees of the Board met on 81 occasions. The attendance details for Board and Committee meetings are outlined in Table 16.

The Board established four statutory committees under section 32 of the Act and a further two advisory committees under section 33 as follows:

- Audit Committee (chaired by Brian McEnery)
- Credit Committee (chaired by Willie Soffe)
- Risk Management Committee (chaired by Steven Seelig to May 2013 and by Oliver Ellingham subsequently)
- Finance and Operating Committee (chaired by Éilish Finan to 21 Dec 2013 and by Willie Soffe as interim Chairperson until Mari Hurley's appointment to the Board in April 2014)
- Planning Advisory Committee (chaired by Willie Soffe)
- Northern Ireland Advisory Committee (chaired by Frank Daly)

The Board has adopted the Code of Practice for the Governance of State Bodies (2009) ('the Code'), as adapted to NAMA's particular governance structure and the statutory requirements of the Act. Where necessary it has put in place arrangements to ensure compliance with the Code, and it reviews its policies and procedures on a periodic basis to ensure compliance with the Code as well as with best practice in corporate governance.

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.

8 *Mr John Mulcahy, as Executive Board member from 7 March 2012 to 17 January 2014, did not receive any remuneration for his membership of the Board.*

TABLE 16: Attendance at Board and Board Committee Meetings in 2013

	Board	Audit	Credit	Finance & Operating	Risk Management	Planning Advisory	Northern Ireland
Board members:							
Frank Daly	25						5
John Corrigan	20				7	3****	
Eilish Finan	24	12		11			5
John Mulcahy	24		29		7	5	
Brendan McDonagh	25		37	11	8	6	
Brian McEnery	23	13	26				2
Steven Seelig*	12	5			4		
William Soffe	25		38	11		6	5
Oliver Ellingham**	15	6			3		
External members:							
Jim Kelly		12					
Michael Wall						6	
Alice Charles						5	
Brian Rowntree							5
Frank Cushnahan***							3

*Steven Seelig completed his Term of Office 25 May 2013.

**Oliver Ellingham was appointed 10 April 2013.

***Frank Cushnahan resigned 7th November 2013.

****John Corrigan appointed to the Planning Advisory Committee after third meeting in 2013.

REPORTS FROM CHAIRPERSONS OF NAMA COMMITTEES

AUDIT COMMITTEE

Section 32 of the Act required the Board to establish an Audit Committee. The Audit Committee operates to Board-approved Terms of Reference as required under section 32(6) of the Act.

The Audit Committee currently comprises two non-executive Board members and one external member.

The Audit Committee is comprised of the following:

- Brian McEnery (Chairperson, Board member)
- Oliver Ellingham (Board member)
- Jim Kelly (External member)

Steven Seelig and Éilish Finan completed their terms of office on the Board and the Audit Committee on 25 May 2013 and 21 December 2013 respectively. Jim Kelly was re-appointed by the Minister for a second term on 13 January 2013.

In accordance with Section 32(2) of the Act, the Audit Committee is to comprise six members, two of which are external to NAMA and appointed by the Minister. The Minister is expected to appoint a second external member in due course. The remaining four members are appointed by the Board from among the members of the Board. It is expected that the vacancies on the Audit Committee will be filled after new appointments are made to the Board.

Mr. Kelly is a former senior official with the Revenue Commissioners. He has been a Board member of the Irish Auditing and Accounting Supervisory Authority and was Secretary to the Commission on Taxation 2008-2009.

The Board has determined that Brian McEnery is the Committee's financial expert and that Oliver Ellingham is the Committee's risk expert.

The Committee met on 13 occasions in 2013.

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

- The 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
- Good faith reporting arrangements 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 2013 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. The review focused in particular on changes in accounting policy and practices, major judgement areas, and compliance with legal (including any requirements under the Act) and regulatory requirements.

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 him during 2013. The Committee reviewed the external audit plan in advance of the audit and met with the external auditor to review the findings from his audit of the financial statements.

3. Internal audit

The Committee received regular reports from the internal auditor. These 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 ensured that these activities are adequately resourced and have appropriate standing within NAMA. This included agreement of the annual internal audit plan. The Committee also ensured coordination between the internal and external auditors.

4. Internal controls

The Committee evaluated the system of internal controls, including procedures adopted by the NTMA in the performance of its compliance and control functions for NAMA. The Committee's findings were reported to the Board.

5. Monitoring of service providers

The Committee received regular updates from Management and the internal auditor on the performance of these service providers, benchmarked against agreed targets.

The Chief Financial Officer of NAMA, the Head of Audit and Risk (CFO), 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 auditor, the internal auditor, Chief Financial Officer of NAMA, Head of Audit and Risk (CFO) of NAMA, Head of Control of the NTMA and Compliance Officer of the NTMA. Each of these has direct access, without restriction, to the Chairperson of the Audit Committee.

The Committee places on record its sincere appreciation to Steven Seelig and Éilish Finan for their significant contribution to the work of the Committee.

Brian McEnery
Chairperson

CREDIT COMMITTEE

Section 32 of the Act required the Board, which has ultimate responsibility for the credit risk of NAMA, to establish a Credit Committee operating under its delegated authority. The Credit Committee operates to Board-approved Terms of Reference as required under section 32(6) of the Act.

The Credit Committee is comprised of the following members:

- Willie Soffe (Chairman, Board member)
- Brian McEnery (Board member)
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- John Mulcahy (Head of Asset Management and Board member)[9]
- Aideen O'Reilly (Head of Legal)
- Ronnie Hanna (Head of Asset Recovery)
- Michael Moriarty (Deputy Head of Asset Recovery)
- Dónal Rooney (Chief Financial Officer)
- Mary Birmingham (Head of Asset Management)
- John Collison (Deputy Head of Asset Recovery)

The Committee, which met on 38 occasions in 2013, normally meets on a weekly basis but meets more or less frequently as required. By its very nature, the Credit Committee has a critical role in advising the Board on the establishment of NAMA credit policy and in ensuring that decision making on debtor management is consistent with overall Board policy.

Commensurate with the credit policy approved by the Board, and subject to agreed portfolio limits, the Credit Committee is the decision-making authority responsible for the approval or rejection of credit applications, which are below the level required for Board approval, but exceed the credit approval authority delegated to the NAMA Chief Executive and Head of Asset Recovery/Head of Asset Management by the Board. The Committee must operate in a considered and timely manner so as to support efficient credit-related decision making with respect to the acquired debts of close to 800 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 debtor strategic 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 outside the delegated authority of the Chief Executive and the Head of Asset Recovery/ Head of Asset Management. These can be approved/declined/ amended 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 and sectoral Policies for Board consideration/approval.
3. Determining 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 2013 were as follows:

1. Ensuring that systems in place for processing credit applications to the Committee and the Board were effective, efficient and appropriate.
2. Review of NAMA approved debtor strategies and progress made to date; and for more recently acquired connection facilities, review of debtor Business Plans. The Committee also conducts a bi-annual review of NAMA's top debtors' strategies (top debtors can be defined as those representing 50% of total NAMA debt).

9 John Mulcahy retired from NAMA in January 2014 and was replaced on the Committee by Mary Birmingham, Head of Asset Management.

3. Assessing, recommending and approving over 300 individual credit requests ranging from asset management decisions to complex matters related to debtor strategy actions such as continued funding of development assets. 81 papers were reviewed by the Committee for recommendation to the Board. Additionally, the Committee oversaw over 1,020 individual decisions made within the CEO and Head of Asset Recovery's level of delegated authority.
4. Making decisions in relation to debtor agreements and enforcements.
5. Developing and enhancing both credit policies and sectoral policies; and assimilation of associated management information.
6. Review of Asset Management strategy and regular reviews of progress on their selected projects.

It is expected that 2014 will be another challenging year for the Credit Committee as NAMA endeavours to maximise value from the portfolio. NAMA continues to operate in a difficult economic environment in Ireland; however there is clear evidence of recovery underway in the Dublin property market and in certain other locations, although liquidity and availability of bank funding remain issues. NAMA also continues to monetise its portfolio outside of Ireland and has been particularly successful in key locations such as London.

As NAMA is required to take a commercial, but prudent view, while maintaining the highest standards of objectivity and integrity, all proposals are rigorously assessed and the various options fully considered. The Committee recognises that its decisions may have a significant impact on the assets and the debtors concerned, but it is determined to support projects which add value with a view to stimulating activity and employment and to maximising the return for the Irish taxpayer.

Willie Soffe
Chairperson

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is responsible for overseeing the assessment and management of risks that, if they were to occur, would result in financial losses and/or a failure by NAMA to achieve its objectives as set out in its Strategic Plan.

The Risk Management Committee is comprised of the following members:

- Oliver Ellingham (Chairman, Board member)[10]
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- John Corrigan (Chief Executive, NTMA and Board member)
- Dónal Rooney (Chief Financial Officer)
- Mari Hurley (Board Member)

The Committee met on eight occasions in 2013.

Aideen O'Reilly (Head of Legal), Dave McEvoy (Head of Treasury), David Johnson (Head of Audit & Risk), John Mulcahy (Head of Asset Management and Board Member), Ronnie Hanna (Head of Asset Recovery) and Seán Ó Faoláin (Head of Strategy and Communications) resigned from the Risk Management Committee in January 2014.

The Committee's principal responsibilities include:

1. Reviewing and overseeing the Executive Team's plans for the identification, management, reporting and mitigation of the material risks faced by NAMA.
2. 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.
3. 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 covers a wide spectrum of risks to the achievement of NAMA's objectives.

The principal activities of the Committee in 2013 were as follows:

1. The NAMA Risk Management Committee reviewed the risk management implications following the decision to liquidate IBRC and transfer any unsold assets to NAMA. The Committee performed a detailed review of risks associated with the change in the management of the existing NAMA portfolio from IBRC to Capita and the possible transfer of part of the IBRC loan portfolio from the IBRC SL to NAMA. The Committee considered the immediate impact on the operations of NAMA of the liquidation, the medium-term risks arising from the acquisition of portfolios of indeterminate size, product range and complexity and the longer term challenges of integrating the new portfolios while ensuring that NAMA continues to deliver on its primary objectives.
2. The composition of the NAMA balance sheet (and associated risks) was monitored throughout 2013. The Committee regularly reviewed the various components of the balance sheet risk and the methods by which those risks are measured and reported, and considered alternative strategies to mitigate those risks. The balance sheet of NAMA was increased materially as a result of the liquidation of IBRC through the acquisition of a floating charge over IBRC assets and the issuing of bonds as consideration for the floating charge. The Committee made recommendations to the Board where changes in policy, measurement, risk limits or risk management strategy were required to reduce risk to a tolerable level having regard to the expanded balance sheet and changes in the underlying NAMA loan portfolio, interest rate and foreign exchange markets. The Committee made recommendations to the Board on revisions to hedging strategies due to changes in the NAMA risk profile as a result of new processes, initiatives or as a response to external events, such as the liquidation of IBRC, which impact on NAMA and the achievement of its objectives.

10 Steven Seelig completed his Term of Office on 25 May 2013. Oliver Ellingham was appointed 13 June 2013.

3. Operational risks are inherent to the operation of NAMA and the Risk Management Committee focused on the regular review of the Functional Risk Registers which were continually updated during 2013. Each of the Functional Risk Registers is subject to annual review to identify new and emerging risks, and redundancy or changes in existing risks. The Risk Management Committee continued to review on a regular basis the Risk Registers of the Service Providers, the PIs and Capita to gain oversight of the impact and likelihood of risk events external to NAMA which could influence the achievement of NAMA's objectives. The Committee requires a quarterly control attestation and risk awareness training for NAMA employees. The Committee was supported in this effort by Audit & Risk (CFO) which ensured that the material and emerging risks and risk events were reported to, and considered by the Committee.

Expectations for 2014

The membership of the Risk Management Committee was revised in January 2014, reducing the number of members to two executive and three non-executive directors. As the Enterprise Risk Management Framework has reached a stable state, the Committee has identified a small number of risks which could have a significant impact on NAMA and its ability to achieve its objectives. A priority of the Committee in 2014 will be to concentrate greater time and resources on ensuring that the Principal Risks are kept under constant review and updates on changes in those risks are provided to the Board in a consistent and thorough manner.

The Enterprise Risk Management Framework seeks to link the subjective assessment of risks through well-established channels such as the Risk Working Group and Risk Committee with more objective evidence such as incident reporting, risk indicators and audit findings. The Committee now has an oversight of any operational incidents occurring and monitors the effectiveness of root-cause analysis and resolution of such incidents and how those events change the overall assessment of the NAMA risk profile.

Oliver Ellingham
Chairman

FINANCE AND OPERATING COMMITTEE

The Finance and Operating Committee comprises two non-executive Board members and five senior NAMA executives (including the NAMA Chief Executive).

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

- Mari Hurley (Chairperson (with effect from 7 May 2014))
- Willie Soffe[11] (Interim Chairperson, Board member)
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- Dave McEvoy (Head of Treasury)
- Dónal Rooney (Chief Financial Officer)
- Michael Moriarty (Deputy Head of Asset Recovery)
- Seán Ó Faoláin (Head of Strategy and Communications)

The Committee met on 11 occasions in 2013.

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:

- All financial and management reporting whether to the Minister, the Oireachtas or otherwise (except for NAMA's annual accounts which are the responsibility of the Audit Committee).
- The preparation of management accounts.
- The preparation of annual budgets and other forecasts.
- The review of performance and variance against budget and prior year performance.
- Approving major capital expenditure.
- The management of procurement.
- Oversight of service providers (other than those whose oversight is reserved specifically to other Board committees).
- Oversight of systems and operational issues.

The Finance and Operating 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.

During 2013, NAMA made significant progress in terms of developing its underlying Finance, Operations and Systems infrastructure.

Specific significant activities and progress areas are as follows:

- Significant ongoing developments have been made to the management information provided to the NAMA Executive, Finance and Operating Committee and Board. Of particular note, a new Oracle-based "business intelligence" IT platform was implemented which has significantly enhanced the organisation's Management Information capability.
- The development of the new "Sales Tracker" sales forecasting tool has significantly enhanced the organisation's forecasting infrastructure so as to support real-time monitoring of sales progress across all NAMA-managed debtor property assets. The organisation's impairment processes have also been fully integrated into this new forecasting infrastructure.
- NAMA made ongoing improvements across all its core systems – Portfolio Management System ('PMS'), Document Management System ('DMS'), Management Information System ('MIS') and Geographic Information System ('GIS') – in 2013, particularly in respect of managing the evolving end user requirements and system integration. System access and security continued to be an area of ongoing focus across all NAMA systems.

11 Willie Soffe was appointed as interim Chairperson in March 2014, replacing Éilish Finan whose term ended on 22 December 2013. Mari Hurley was appointed as Chairperson with effect from 7 May 2014.

- The IBRC liquidation presented significant operational challenges to NAMA including an immediate requirement to replace a significant number of debtor deposit and current accounts that were frozen as a result of the liquidation with new current accounts in an alternative Primary Servicer banking institution.
- Following the liquidation of IBRC, the administration of the NAMA loans originally acquired from Anglo Irish Bank was transferred to Capita as new Service Provider. Loan administration and payment services transferred in June 2013 and December 2013 respectively. IT services will follow in 2014. The IBRC Integration Project presented significant IT/systems challenges for the organisation in terms of managing the transition of data/systems from IBRC to the new Service Provider.
- There is an ongoing strong focus on minimising costs with various cost reduction initiatives implemented in 2013. NAMA's own operating costs, at approx. 2-3% of cash generation, compare highly favourably with international benchmarks.

The Committee places on record its sincere appreciation to Éilish Finan for her significant contribution as Chairperson to the work of the Committee.

Willie Soffe
Interim Chairperson

NORTHERN IRELAND ADVISORY COMMITTEE

Section 33 of the Act provides for the establishment of advisory committees and, on the proposal of the Minister, NAMA established a Northern Ireland Advisory Committee on 7 January 2010. The purpose of the Committee is to advise the Board in relation to strategy for Northern Ireland assets.

The Northern Ireland Advisory Committee is comprised of the following members:

- Frank Daly (Chairman)
- Brian McEnery (Board member)
- Willie Soffe (Board member)
- Ronnie Hanna (Head of Asset Recovery)
- Brian Rowntree (External member)

Mr. Frank Cushnahan resigned from the Committee on 7 November 2013 and Ms Éilish Finan completed her term of office on the Board and the Northern Ireland Advisory Committee on 21 December 2013.

Mr. Rowntree currently holds a number of non-executive appointments in the public and not-for-profit sectors. Mr. Rowntree is Chairman of the NI Civil Service Commissioners and an Independent Member of the Northern Ireland Policing Board. He was formerly Chairman of the Northern Ireland Housing Executive (2004-2012), a member of the Advisory Board of the International Centre for Local and Regional Development, and Vice President of the European Social Housing Forum.

He has held further public appointments at Chair and non-executive Director level in the Housing, Criminal Justice, Health and Education sectors and has chaired and participated in a wide variety of forums in Northern Ireland and on a cross-border basis.

The Committee met on five occasions during 2013 with meetings held in Belfast, Dublin and Dundalk. The Belfast meetings (and separate engagements across Northern Ireland) provided an opportunity to engage with key NI stakeholders in all sectors.

The principal responsibilities of the Northern Ireland Advisory Committee include:

Providing advice and making recommendations to the Board on Northern Ireland matters as they pertain to the Purpose and Objectives of the Advisory Committee set out below:

- Making recommendations to the Board on matters pertaining to Northern Ireland in the context of NAMA's objectives and functions as set down in Sections 10 and 11 of the Act.
- Ensuring these recommendations include the Committee's view in relation to the impact on Northern Ireland of the implementation of the Board's strategy.
- Making recommendations to the Board concerning strategy for NAMA in so far as it relates to the Northern Ireland assets.

Overview of the Northern Ireland Portfolio[12]

The Northern Ireland portfolio represents 4% of NAMA's total portfolio by acquisition value (approximately €1.3 billion out of NAMA's total acquisition value of €31.8 billion) and comprises office (18%), retail (17%), residential (10%), development (5%), and hotel and leisure (3%) assets, with the balance made up of land (25%) and other investment (22%) assets. Most of NAMA's undeveloped land portfolio in Northern Ireland is situated in the east of the region. 70% of the Northern Ireland portfolio is completed property and income producing.

By end-2013 disposals in Northern Ireland were of the order of £130m and NAMA had provided working and development capital to Northern Ireland debtors of the order of £140m. In a small number of cases NAMA has had to enforce in Northern Ireland.

The principal activities of the Committee in 2013 were as follows:

1. Stakeholder Engagement and Communications

In 2013 the Committee continued to engage extensively with a broad range of relevant public and private bodies with a view to furthering mutually beneficial commercial initiatives in Northern Ireland. Such bodies include:

12 In April 2014 NAMA announced the sale of the Northern Ireland debtor portfolio (Project Eagle) which comprises loans with a par value of £4.6 billion. This highly complex transaction is expected to complete by mid-2014.

- NI Office (including Secretary of State)
- NI Chamber of Commerce
- CBI Northern Ireland
- Federation of Small Businesses
- The Bank of England Agent in Northern Ireland
- The NI Assembly and Business Trust
- Invest Northern Ireland
- Northern Ireland Housing Executive
- Federation of NI Housing Associations
- Various Northern Ireland Housing Associations
- City Councils
- Ulster Society of Chartered Accountants in Ireland
- Northern Ireland Centre for Economic Policy in University of Ulster
- NI Department of the Environment
- NI Planning Service

A vital element of the Committee's engagement activity is the ongoing constructive working relationship with the Northern Ireland Executive and Assembly and key political stakeholders regarding NAMA's plans for Northern Ireland. The Chairman of the Board and members of the Northern Ireland Advisory Committee met with the Northern Ireland Secretary of State, the Minister for Finance and Personnel and elected representatives and continue to engage on an ongoing basis and to provide specific briefings to Northern Ireland political parties.

The Committee reiterated key NAMA messages in Northern Ireland through a number of Northern Ireland media publications and interviews with a view to promoting an informed and accurate understanding of the role and activities of NAMA generally and, more specifically, in the context of Northern Ireland including addressing concerns about its proportionate impact on the Northern Ireland property market.

2. NAMA Wider Contribution in Northern Ireland

Social Housing

The Committee advises on and inputs into NAMA's engagement with the Northern Ireland social housing sector with a view to identifying and offering suitable sites for social housing purposes where there is a match between need and assets within the portfolio.

Research

The Committee continues to work in partnership with the University of Ulster on key and innovative research to support a better understanding of the supply and demand dynamics of land across the region, including housing affordability and barriers to market entry.

Committee highlights

The Committee continues to review all strategic opportunities to bring creative and innovative solutions in respect of NAMA's portfolio in Northern Ireland. To that end the Committee benefitted enormously during 2013 from the insightful contributions of External Committee Members, Frank Cushnahan and Brian Rowntree – both of whom provided a unique local knowledge and expertise to guide NAMA's work in Northern Ireland. The Committee places on record its appreciation to Éilish Finan and external member Frank Cushnahan who served on the Committee since inception in May 2010.

NAMA's mandate is to recover the maximum amount from all loans irrespective of where the underlying loans happen to be located. Towards this objective, NAMA adopts a commercial approach in each of the jurisdictions in which it operates, while recognising the distinctive market characteristics of these areas. It is particularly cognisant of the challenges specific to Northern Ireland and benefits greatly from the work of the Committee and extensive stakeholder engagement, local insights and expertise.

Frank Daly
Chairman

PLANNING ADVISORY COMMITTEE

The purpose of the Planning Advisory Committee is to advise the Board on planning, land and related matters that may have an impact on the valuation and realisation of NAMA assets and thereby affect the achievement of NAMA's purpose and functions as set down 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 proposed SDZs and local area plans ('LAPS') and their impact on NAMA assets.

The Planning Advisory Committee is comprised of the following members:

- Willie Soffe (Chairman, Board Member)
- John Corrigan (Chief Executive, NTMA and Board member)
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- John Mulcahy (Head of Asset Management and Board member) – retired January 2014
- Mari Hurley (Board Member)
- Michael Wall (External Member)
- Alice Charles (External Member)

Mr. Michael Wall is an architect and barrister and a former Board member of An Bord Pleanálá.

Ms. Alice Charles has considerable planning experience and is a member of the Royal Town Planning Institute and the Irish Planning Institute.

The Committee met on six occasions during 2013. John Corrigan was appointed to the Committee on the 13th June 2013.

The principal activities of the Committee in 2013 were as follows:

1. Assessing planning matters which are of interest to the Agency and advising on such matters where appropriate, in particular focusing on SDZs and infrastructure provisions.
2. Engaging in discussions with Government Departments, Local Authorities and other Statutory Bodies to align the objectives of those parties and NAMA on matters such as the provision of social housing and unfinished estates, and the procurement of property where necessary.
3. Advising and guiding NAMA's participation in a number of specialist projects and public matters, involving external stakeholders which include a proposed Vacant Land Levy, and the implementation of the National Planning Information System.

Over the course of 2013, the Committee's focus was on areas where NAMA has assets located close to key areas with future development potential including the Dublin Docklands SDZ and the Cherrywood SDZ. The Committee advised on submissions issued by NAMA, with the key messages; ensuring appropriate densities, sufficient infrastructure and a sensible balance of asset types. It is hoped that this contribution will assist in formulating coherent plans and result in achieving tangible economic and social benefits in those areas and improve NAMA's ability to recoup its outlay.

The Committee has continued to advise on the Agency's engagement with State Bodies and is committed to aligning their needs with NAMA-secured properties. NAMA has worked with the Housing and Sustainable Communities Agency, Local Authorities and Voluntary Housing Agencies to provide residential units for social and affordable purposes. Following the establishment of an SPV to expedite this process, the Committee has had oversight of the development of a long-term leasing model which will assist in the provision of units. Over the course of 2013 almost 600 units have been contracted either through sales or long-term leasing.

Other consultations have been ongoing with various state bodies, to align their requirements with those of the Agency – the Committee continues to appraise and advise on such matters.

The Agency's participation in the National Coordination Committee tasked with ensuring a solution to problematic unfinished estates has continued. The Committee has overseen significant improvements made to those affected assets relating to NAMA's book over the course of 2013. A principal concern is addressing health and safety issues, and this matter has largely been addressed over the course of 2013. Consequently NAMA's exposure to these developments has been reduced by 20%. Progress on sites with outstanding problems will continue to be reviewed.

Under the guidance of the Committee, a business plan was agreed upon with the DECLG relating to the National Planning Information system. The implementation of the plan will provide scope for future enhancements to the system and ensure it is adequately maintained. A bespoke version of the tool now in operation has been developed incorporating NAMA specific data. Numerous improvements have been progressed which will enhance the system and aid the efficiency of decision making. The Committee has also been giving consideration to the impact of the suggested vacant land levy and has provided feedback on the proposal.

In carrying out its functions, the Committee is greatly assisted by the knowledge and support of NAMA's Planning and Development Unit.

Willie Soffe,
Chairman

DISCLOSURE AND ACCOUNTABILITY

DISCLOSURE REQUIREMENTS ON BOARD MEMBERS

Sections 30-31 of the Act outline the requirements on members of the Board in terms of disclosure of interests.

Section 30 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 the Ethics Acts in respect of the disclosure of interests.

STAFF ASSIGNED TO NAMA

Staff assigned to NAMA are subject to a Code of Practice approved by the by the Minister under Section 35 of the Act, which sets out, inter alia, their obligations in respect of confidentiality and conflicts of interests including:

- Obligations of confidentiality pursuant to Section 202 of the Act, Section 14 of the NTMA Act 1990 and the Official Secrets Act 1963.
- Requirement to comply with the provisions of the Data Protection Acts 1988 and 2003, including provisions regarding the processing and handling of personal data.
- Obligation to make a disclosure of interests pursuant to Section 18 of the Ethics Acts and Section 42 of the Act.
- Requirement to comply with the NTMA's Gifts and Hospitality policy.
- Obligations pursuant to the legislation concerning market abuse and insider dealing.
- Requirement to comply with the NTMA's Personal Account Transaction Policy in respect of transactions in certain restricted securities and property related transactions.

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

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. Under the Act, the Minister has a number of powers which he can exercise in relation to NAMA, including the power to issue guidelines (Section 13) and directions (Section 14). Five directions have been issued by the Minister under Section 14 – copies are available on www.nama.ie/governance/legislation/
2. NAMA submits quarterly reports to the Minister 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.
3. NAMA submits annual accounts, in a form directed by the Minister, 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 book value. NAMA's accounts are audited by the C&AG and the audited accounts are laid before both Houses of the Oireachtas.

4. In addition to its annual accounts, NAMA is also required to submit to the Minister, under Section 53, 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.

5. The Chief Executive Officer and the Chairman, whenever required by the Committee of Public Accounts, attend and give evidence. The CEO and the Chairman also appear before other committees of the Oireachtas whenever required to do so.

6. The Minister 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.

7. NAMA has prepared codes of practice to govern certain matters including, amongst others, 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 and are published on www.nama.ie/CodesOfPractice.

8. In accordance with Section 226 and 227 of the Act, as soon as may be after 31 December 2012, the Minister and the C&AG will separately assess the extent to which NAMA has made progress toward achieving its overall objectives and the Minister will decide whether the continuation of NAMA is necessary. Thereafter, the Minister will review progress every five years and the C&AG every three years. The C&AG's Section 226 progress report on NAMA is expected to be published in the second quarter of 2014.

RISK MANAGEMENT

PRINCIPAL RISKS AND UNCERTAINTIES

NAMA is exposed to a wide variety of risks which have the potential to affect the financial and operational performance of the Agency. The NAMA Risk Management Policy that is 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 five principal risks and areas of major uncertainty (outlined below). The list is not intended to be exhaustive. Some risks which are unknown or not deemed to be material at this time may adversely affect NAMA and 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 contractual debt obligations (senior and subordinated debt) and impacts the fiscal path to debt sustainability. If the economic environment and property market in Ireland fails to fully and sustainably recover or the market in other locations in which NAMA has an exposure, principally the UK, deteriorates from present levels the actual cash flows from NAMA assets could be lower than currently projected.

2. Strategic risk

If the pace of deleveraging/disposals activity is incorrectly calibrated (i.e. it is too fast or too slow) NAMA will not achieve the Section 10 NAMA Act statutory requirement to obtain the "best achievable financial return for the State". The risk represents the potential opportunity cost of a sell versus hold decision for NAMA assets.

3. Human capital risk

If there is a material loss of human capital from NAMA, the Agency will not achieve its objectives. A failure to attract, motivate and retain staff with requisite experience and expertise would result in institutional corporate knowledge loss, capacity constraints on the delivery of assets for sale or potential lower asset realisation values.

4. Reputation risk

Risk that negative public, political or industry opinion may adversely impact NAMA's core business activities and financial prospects and undermine the Agency's ability to achieve its objectives. Negative opinions can be the result of actual or the perceived manner in which NAMA conducts its operations or from false or misleading claims relating to NAMA. NAMA's reputation could also be damaged if there was a loss of significant legal cases or an information security breach.

5. Liquidation of IBRC risks

Under the provisions of the IBRC Act 2013, the Minister may direct NAMA to acquire the unsold part of the IBRC portfolio from the IBRC SL. If NAMA were to acquire such loans, there is a possibility that the post-acquisition portfolio valuation due diligence could result in a 'day one' downward fair value adjustment of the portfolio which could have a significant financial impact on NAMA Group operations.

NAMA has robust risk processes to manage risk related to its business, to reduce the potential for significant unexpected losses and to minimise the impact of losses experienced in the normal course of business. Risks identified by management are prioritised according to probability and impact and the risk status. Management's response and control action plans are reviewed by the Risk Management Committee and the Board on a regular basis. Management is challenged to consider risks not already considered. NAMA's response strategies to each risk are designed to ensure that NAMA operates within 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 recommends to the Board the adoption of new policies or changes to existing policies, the adoption of hedging strategies to manage certain balance sheet risks and recommendations for the deleveraging of the balance sheet through bond redemptions in response to changing internal and external influences and circumstances.

The uncertainties surrounding the risks associated with the composition of the NAMA balance sheet and operational model continue to reduce as the strategy to steadily monetise the portfolio is implemented. Improvements in data quality and the provision of information through various new systems including a PMS and a new MIS enhanced the assessment, measurement and reporting of risk. Access to portfolio wide data and integration with mapping technology has enabled the strategic assessment of property risk concentrations and coordinated asset management and development initiatives to further enhance the value of NAMA assets.

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

BOARD AND OTHER INFORMATION

Board

Frank Daly *(Chairman)*

Brendan McDonagh *(Chief Executive Officer)*

John C. Corrigan

Oliver Ellingham *(appointed 10 April 2013)*

Eilish Finan *(term ended 21 December 2013)*

Brian McEnery

John Mulcahy *(resigned 17 January 2014)*

Steven A. Seelig (US) *(term ended 25 May 2013)*

Willie Soffe

Mari Hurley *(appointed 8 April 2014)*

Registered Office

Treasury Building

Grand Canal Street

Dublin 2

Principal Bankers

Central Bank of Ireland

Dame Street

Dublin 2

Citibank

I.F.S.C.

Dublin 1

Auditor

Comptroller & Auditor General

Dublin Castle

Dublin 2

BOARD REPORT

The Board of the National Asset Management Agency ('the Agency' or 'NAMA') presents its report and audited NAMA consolidated and Agency financial statements for the year ended 31 December 2013.

The financial statements are set out on pages 84 to 175.

Statement of Agency's Responsibilities for Financial Statements

The Agency has elected to apply IFRS as adopted by the European Union in preparation of Group and Agency only financial statements. The Agency is required by the National Asset Management Agency Act 2009 ('the Act') to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so (see accounting policy 2.1);
- discloses and explains any material departure from applicable accounting standards.

The Agency 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 moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and its related entities.

The Agency 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.

Financial risk management

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

Board Members' interests

The Members of the Board have no beneficial interest 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

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

STATEMENT ON INTERNAL FINANCIAL 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 all NAMA Group entities.

The results presented are for the year ended 31 December 2013, with comparative results for the year ended 31 December 2012.

Responsibility for System of Internal Financial Control

The Board acknowledges its responsibilities for NAMA's system of internal financial 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.

Financial 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 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 him 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 Senior Executive Team; an Audit Committee, a Risk Management Committee, a Credit Committee and a Finance and Operating Committee. The Board has agreed formal terms of reference for its statutory sub-committees which are subject to regular review. The Board has delegated certain credit decisions to the Credit Committee and Senior Executive Team through the Delegated Credit Policy, which is subject to regular review. The Board has also delegated the management of certain aspects of its balance sheet and treasury policies to the Risk Management Committee and Senior Executive Team.

The Board has adopted the Code of Practice for the Governance of State Bodies (2009) adapted in some instances to take account of NAMA's particular governance framework and the statutory requirements of the Act and has established a Governance framework, which is subject to annual review.

The Audit Committee operates in accordance with the principles outlined in the Code of Practice for the Governance of State Bodies. Its responsibilities include the overseeing of the financial reporting process, reviewing the system of internal control and reviewing the internal and external audit processes.

NAMA has adopted the National Treasury Management Agency's ('NTMA') Anti-Fraud policy. Under this policy the Audit Committee is to be advised of all reports of fraud or suspected fraud. NAMA has also adopted a NTMA-wide Good Faith Reporting Policy.

NAMA has a Senior Executive Team which 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 agreed with the Minister for Finance in accordance with Section 35 of the Act, including *inter alia* a Code setting out standards expected of the officers of NAMA.

NAMA depends to a significant degree on the controls operated by a number of third parties including the NTMA, Capita Asset Services ('Capita') and the Participating Institutions. In this regard the following should be noted:

- The NTMA has a well-developed system of internal control and any shared services provided to NAMA are provided within this existing control framework.
- NAMA has established procedures with both Capita and the Participating Institutions for the reporting of incidents, including control failures and escalation procedures.
- NAMA has sought and received assurances from NTMA, Capita and the Participating Institutions that they have reviewed their systems of internal financial control in relation to NAMA loans.

On 7 February 2013, joint Special Liquidators were appointed to IBRC and four Directions have been issued to NAMA by the Minister for Finance under the IBRC Act 2013. Amongst these Directions was the requirement for NAMA to acquire the underlying assets from the joint Special Liquidators in the event that the joint Special Liquidators are unable to sell the assets to the market. At the date of authorisation of these financial statements the joint Special Liquidators have completed the valuation and sales process and the Minister has announced that no assets are expected to transfer to NAMA.

Following their appointment, the joint Special Liquidators continued to act as a Participating Institution in respect of the existing NAMA IBRC loans. NAMA identified the risk of potential conflicts of interest in circumstances where the joint Special Liquidators or their firm are the appointed receiver on NAMA IBRC loans and agreed the most appropriate arrangements under the circumstances with the joint Special Liquidators to manage any such potential conflicts of interest.

At the end of March 2013, NAMA appointed Capita to replace the joint Special Liquidators as Primary Servicer and Special Loan Servicer in respect of the existing NAMA IBRC loans. Following significant integration planning work over a number of months, Capita assumed responsibility as Primary Servicer and Special Loan Servicer on these loans from the joint Special Liquidators on 12 August 2013.

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 and ensures that those risks operate within Board approved limits.

A risk register is maintained 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. The risk register is reviewed by the Risk Management Committee on a quarterly basis, and by the Board on a bi-annual basis, and the Senior Executive Team is required to attest to the operation of controls that have been agreed to manage or mitigate risks.

Capita and each of the Participating Institutions have submitted individual risk registers, in line with standard templates agreed with NAMA. These risk registers have been reviewed by the NAMA Audit and Risk (CFO) function and the Risk Management Committee.

Key Internal Financial 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 continue to be defined and enhanced as NAMA develops.

NAMA has established a financial reporting framework to support its monthly, quarterly and annual financial reporting and for the preparation of consolidated and Agency financial statements which incorporates the processes and controls described in this statement.

While significant progress has been made in this area, NAMA continues to implement further improvements to its management information systems in order to facilitate further enhanced reporting to the Board, Finance and Operating Committee and Senior Executive Team on its performance.

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 reviews and makes recommendations to the Board in relation to specific credit requests where authority rests with the Board. It is also responsible for evaluating asset recovery 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 prepared by the Asset Recovery function in respect of NAMA's portfolio.

NAMA has an established procurement policy. The procurement requirements of NAMA are carried out in accordance with the procurement policy, relevant procurement legislation and internal best practice guidelines. NAMA is subject to EU Directive 2004/18/EC as implemented in Ireland by the European Communities (Award of Public Authorities' Contracts) Regulations 2006 (the 'Regulations'), in respect of the procurement of goods, works and services above certain value thresholds set by the EU. 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 competitive process designed to obtain the best value for money that can be achieved. Any exceptions to NAMA's procurement policy are approved by the Board.

NAMA exercises control over major system implementations and follows a structured approach for projects undertaken. During 2013, NAMA made continuous improvements to its core systems, including the NAMA Loans Warehouse, the Portfolio Management System, the Document Management System and the Geographical Information System. During 2013, NAMA implemented a new Management Information System which facilitates the enhancement of management information to support decision making.

NAMA has put in place an appropriate framework to ensure that it complies with the Data Protection Acts. As part of this framework, NAMA has also implemented systems and controls to restrict the access to confidential data. Where NAMA has become aware of breaches or alleged breaches of confidential data, these have been fully investigated and where necessary reported to the appropriate authorities.

Information and Communication

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 revenues and costs to the Finance and Operating Committee. The Finance and Operating Committee also monitors the development and implementation of NAMA's systems.

NAMA presents monthly, quarterly and annual financial information to the Finance and Operating Committee and Board and presents quarterly and annual financial information to the Minister for Finance.

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

Monitoring

NAMA appointed Deloitte as Internal Auditor in August 2010. The Internal Auditor has established an internal audit function, which operates in accordance with the Code of Practice for the Governance of State Bodies. An internal audit plan for 2013 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, Capita and the Participating Institutions. 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.

NAMA has established processes to monitor the performance of both the Participating Institutions and Capita as Master Servicer and Primary Servicer, including monthly service reports, regular service reviews (including quality assurance of credit decisions taken under delegated authority) and the establishment of steering committees and credit review forums. Steering committees have been established for each of the Participating Institutions and Capita as Master Servicer and Primary Servicer, and meet on a regular basis to review performance and operational issues. The performance of the loan book managed by the Participating Institutions is reviewed by NAMA via periodic credit review forums and NAMA participation in the credit committees of the Participating Institutions. A Quality Assurance Framework has also been implemented by NAMA to review the management of Participating Institution managed debtors on an ongoing basis in accordance with the authorities delegated to them by NAMA.

In respect of Capita as Primary Servicer all credit decisions are made by NAMA personnel with Capita holding no credit delegated authority from NAMA. A Quality Assurance Framework has been implemented to review the credit fulfilment activity and case management of debtors managed by Capita.

In addition, the activities of the Participating Institutions and Capita are subject to audit by NAMA's internal and external auditors.

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 Head of Audit and Risk (CFO) and the Senior Executive Team.

Annual Review of Controls

We confirm that the Board has reviewed the effectiveness of NAMA's system of internal financial control for the year ended 31 December 2013. A detailed review was performed by the Audit Committee, which reported its findings to the Board. The review of the effectiveness of the system of internal financial control included:

- 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 in his work as external auditor.
- Review of regular reporting from the internal auditor on the status of the internal financial 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, Capita and the Participating Institutions in respect of the operation of their systems of internal financial control during the year.
- Review of control assurance statements completed by NAMA's Senior Executive Team and Senior Management in respect of the effectiveness of the system of internal financial control during the year.

Frank Daly
Chairman

9 May 2014

Brian McEnery
Chairman, Audit Committee

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Asset Management Agency

I have audited the Group and Agency financial statements of the National Asset Management Agency for the year ended 31 December 2013 under the National Asset Management Agency Act 2009. The financial statements, which have been prepared under the accounting policies set out therein, 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. The financial reporting framework that has been applied in their preparation is the International Financial Reporting Standards (IFRSs) as adopted by the European Union and the provisions of the National Asset Management Agency Act 2009.

Responsibilities of the Board

The Board is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Group's and Agency's affairs and of the Group's income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Group's and Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Agency's annual report to identify if there are any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with the IFRSs as adopted by the European Union and with the provisions of the National Asset Management Agency Act 2009, give a true and fair view of the state of the Group's and the Agency's affairs at 31 December 2013 and of the Group's profit for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Without qualifying my opinion, I draw attention to the following matters.

Going Concern

Note 2.1 to the financial statements describes the position in regard to the main funding source for the Agency and sets out the basis upon which the Board is satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Asset Impairment

Note 3.1 to the financial statements outlines the basis for the incremental impairment charge of €914 million for 2013, bringing the total cumulative impairment to €4,125 million. The charge for the year includes the results of an enhanced process for the assessment of the collective impairment provision. Further enhancement of the impairment assessment process is in progress.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information in the Agency's annual report is not consistent with the related financial statements, or
- the Statement on Internal Financial Control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Seamus McCarthy.

Seamus McCarthy

Comptroller and Auditor General

9 May 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	NARL[1] €'000	NAMA Group (excluding NARL) €'000	Year ended 31 December 2013 NAMA Group €'000	Year ended 31 December 2012 NAMA Group €'000
Interest and fee income	5	201,541	1,133,175	1,334,716	1,386,823
Interest expense	6	(195,844)	(178,667)	(374,511)	(492,502)
Net interest income		**5,697**	**954,508**	**960,205**	**894,321**
Other income / (expenses)	7	-	(2,860)	(2,860)	-
(Losses)/gains on derivative financial instruments	8	(8,203)	(46,008)	(54,211)	(37,939)
Net profit on disposal of loans and property assets; and surplus income	9	-	505,411	505,411	188,227
Total operating income		**(2,506)**	**1,411,051**	**1,408,545**	**1,044,609**
Administration expenses	10	(5,696)	(115,764)	(121,460)	(119,117)
Foreign exchange losses	11	-	(89,336)	(89,336)	(99,432)
Total operating expenses		**(5,696)**	**(205,100)**	**(210,796)**	**(218,549)**
Operating profit before impairment		**(8,202)**	**1,205,951**	**1,197,749**	**826,060**
Impairment charges on loans and receivables	12	-	(914,345)	(914,345)	(517,841)
Operating profit after impairment		**(8,202)**	**291,606**	**283,404**	**308,219**
Tax credit / (charge)	13	2,051	(71,853)	(69,802)	(76,266)
Profit for the year before dividend		**(6,151)**	**219,753**	**213,602**	**231,953**
Dividend paid	15	-	(2,162)	(2,162)	(3,457)
Profit for the year		**(6,151)**	**217,591**	**211,440**	**228,496**
Profit attributable to:					
Owners of the Group		**(6,151)**	**217,591**	**211,440**	**228,496**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

1 *On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a loan facility deed and floating charge over certain IBRC assets. Results for NARL are shown separately throughout the financial statements.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	NARL €'000	NAMA Group (excluding NARL) €'000	Year ended 31 December 2013 NAMA Group €'000	Year ended 31 December 2012 NAMA Group €'000
Profit for the year		**(6,151)**	**217,591**	**211,440**	**228,496**
Items that are or may be reclassified subsequently to profit or loss:					
Movement in cash flow hedge reserve before tax	36	-	256,012	256,012	(439,821)
Movement in available for sale reserve before tax	36	-	(4,127)	(4,127)	2,297
Income tax relating to components of other comprehensive income	14,28	-	(65,134)	(65,134)	107,451
Other comprehensive income/(loss) for the year net of tax		**-**	**186,751**	**186,751**	**(330,073)**
Total comprehensive income/(loss) for the year		**(6,151)**	**404,342**	**398,191**	**(101,577)**
Total comprehensive income/(loss) attributable to:					
Owners of the Group		**(6,151)**	**404,342**	**398,191**	**(101,577)**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

AGENCY INCOME STATEMENT

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 €'000	Year ended 31 December 2012 €'000
Interest and fee income	5	874	2
Costs reimbursable from the NAML Group	10	41,938	38,067
Total income		**42,812**	**38,069**
Interest expense	6	(836)	(600)
Administration expenses	10	(42,541)	(38,561)
Total expenses		**(43,377)**	**(39,161)**
Loss for the year		**(565)**	**(1,092)**
Loss attributable to:			
Owners of the Group		**(565)**	**(1,092)**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	NARL €'000	NAMA Group (excluding NARL) €'000	31 December 2013 NAMA Group €'000	31 December 2012 NAMA Group €'000
Assets					
Cash and cash equivalents	16	332,440	3,120,796	3,453,236	2,235,822
Cash placed as collateral with the NTMA	16	63,000	739,000	802,000	1,150,000
Financial assets available for sale	17	-	145,138	145,138	257,932
Amounts due from Participating Institutions	18	-	78,447	78,447	78,953
Derivative financial instruments	19	-	160,369	160,369	350,706
Loans and receivables (net of impairment)	20	11,715,589	19,598,110	31,313,699	22,776,262
Other assets	29	6	23,749	23,755	33,490
Inventories – trading properties	21	-	38,924	38,924	6,758
Property, plant and equipment	26	-	1,071	1,071	831
Investments in equity instruments	27	-	6,373	6,373	-
Deferred tax	28	2,051	200,336	202,387	337,288
Total assets		**12,113,086**	**24,112,313**	**36,225,399**	**27,228,042**
Liabilities					
Amounts due to Participating Institutions	18	-	24,676	24,676	36,423
Derivative financial instruments	19	8,203	591,581	599,784	1,168,688
Other liabilities (net)	31	12,111,034	(11,938,440)	172,594	169,557
Senior debt securities in issue	30	-	34,618,000	34,618,000	25,440,000
Tax payable	32	-	407	407	1,627
Total liabilities		**12,119,237**	**23,296,224**	**35,415,461**	**26,816,295**
Equity and reserves					
Other equity	35	-	1,593,000	1,593,000	1,593,000
Retained earnings / (losses)	37	(6,151)	(441,448)	(447,599)	(659,039)
Other reserves	36	-	(335,463)	(335,463)	(522,214)
Total equity and reserves		**(6,151)**	**816,089**	**809,938**	**411,747**
Total equity, reserves and liabilities		**12,113,086**	**24,112,313**	**36,225,399**	**27,228,042**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

AGENCY STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Assets			
Cash and cash equivalents	16	1,152	1,268
Other assets	29	5,961	9,306
Property, plant and equipment	26	1,071	831
Investment in subsidiaries	38	49,000	49,000
Total assets		**57,184**	**60,405**
Liabilities			
Interest bearing loans and borrowings	34	53,513	53,320
Other liabilities	31	7,178	10,027
Total liabilities		**60,691**	**63,347**
Equity			
Retained losses	37	(3,507)	(2,942)
Total equity		**(3,507)**	**(2,942)**
Total equity and liabilities		**57,184**	**60,405**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013

31 December 2013	Note	Other equity €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At the beginning of the year		**1,593,000**	**(659,039)**	**(522,214)**	**411,747**
Profit for the year	37	-	211,440	-	**211,440**
Other comprehensive income:					
Movement in cash flow hedge reserve	36	-	-	256,012	**256,012**
Movement in available for sale reserve	36	-	-	(4,127)	**(4,127)**
Income tax relating to components of other comprehensive income	14	-	-	(65,134)	**(65,134)**
Total comprehensive income		**1,593,000**	**(447,599)**	**(335,463)**	**809,938**
Balance at 31 December 2013 attributable to owners of the parent		**1,593,000**	**(447,599)**	**(335,463)**	**809,938**

31 December 2012	Note	Other equity €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At the beginning of the year		**1,601,000**	**(887,535)**	**(192,141)**	**521,324**
Profit for the year	37	-	228,496	-	**228,496**
Other comprehensive income:					
Movement in cash flow hedge reserve	36	-	-	(439,821)	**(439,821)**
Movement in available for sale reserve	36	-	-	2,297	**2,297**
Income tax relating to components of other comprehensive income	14	-	-	107,451	**107,451**
Total comprehensive income		**1,601,000**	**(659,039)**	**(522,214)**	**419,747**
Issue of other equity	35	1,000	-	-	**1,000**
Cancellation of other equity	35	(9,000)	-	-	**(9,000)**
Balance at 31 December 2012 attributable to owners of the parent		**1,593,000**	**(659,039)**	**(522,214)**	**411,747**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

AGENCY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Balance at the beginning of the year		(2,942)	(1,850)
Loss for the year	37	(565)	(1,092)
Total comprehensive loss		**(3,507)**	**(2,942)**
Balance at 31 December attributable to the Agency		**(3,507)**	**(2,942)**

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

On behalf of the Board

9 May 2014

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	NARL €'000	NAMA Group (excluding NARL) €'000	Year ended 31 December 2013 NAMA Group €'000	Year ended 31 December 2012 NAMA Group €'000
Cash flow from operating activities					
Loans and receivables					
Value date to transfer date cash received[2]					
Receipts from loans acquired		-	-	-	202,587
Receipts from derivatives and fees acquired		-	-	-	2,394
Receipts from loans[3]		-	4,240,638	4,240,638	4,187,780
Receipts from derivatives acquired		-	58,045	58,045	82,965
Funds advanced to borrowers	20	-	(664,952)	(664,952)	(308,409)
New loans issued / acquired		(343)	(19,425)	(19,768)	-
Funds in the course of collection		-	51,377	51,377	-
Cash held on behalf of debtors		-	2,191	2,191	-
AIB Tranche 9 partial settlement		-	-	-	511
Fee income on loans with borrowers	5	-	5,042	5,042	29,650
Repayment of loan facility deed by joint Special Liquidators		1,225,000	-	1,225,000	-
Interest received on loan facility deed		189,047	-	189,047	-
Net cash provided by loans and receivables		**1,413,704**	**3,672,916**	**5,086,620**	**4,197,478**
Derivatives					
Cash inflow on foreign currency derivatives	11	-	21,876,254	21,876,254	17,551,528
Cash outflow on foreign currency derivatives	11	-	(21,980,877)	(21,980,877)	(17,806,902)
Net cash outflow on derivatives where hedge accounting is applied		-	(232,102)	(232,102)	(51,741)
Net cash inflow / (outflow) on other derivatives		-	10,205	10,205	(55,439)
Net cash used in derivative activities		**-**	**(326,520)**	**(326,520)**	**(362,554)**

2 *Value date to transfer date cash received represents the net cash received on loans acquired by the Group from Participating Institutions in respect of the period between the loan valuation date and the loan transfer date. The net cash received represents disposal, non disposal and borrower derivative cash received less approved qualifying advances and a funding cost in respect of the acquired loans. This amount was settled net with Participating Institutions in 2012 following completion of due diligence of assets transferred. There were no settlements in 2013.*

3 *Includes non-disposal cash receipts of €0.79bn (2012: €1.2bn), proceeds from the disposal of collateral secured against loans and receivables of €3.2bn (2012: €2.5bn) and proceeds from the sale of loans of €0.3bn (2012: €0.5bn).*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2013

	Note	NARL €'000	NAMA Group (excluding NARL) €'000	Year ended 31 December 2013 NAMA Group €'000	Year ended 31 December 2012 NAMA Group €'000
Other operating cash flows					
Payments to suppliers of services			(131,971)	(131,971)	(145,887)
Payments for due diligence costs		-	-	-	(8,742)
Interest paid on senior debt securities in issue		(18,508)	(111,979)	(130,487)	(443,557)
Interest received on cash and cash equivalents		244	12,724	12,968	26,438
Dividend paid by NAMAIL	15	-	(2,162)	(2,162)	(3,457)
Payments of corporation tax by NAMAIL		-	(66)	(66)	(565)
Net inflows/(outflows) on amounts pledged as collateral with NTMA	16	(63,000)	411,000	348,000	(1,150,000)
Funds paid to acquire trading properties		-	(6,708)	(6,708)	-
Interest received on working capital loan to joint Special Liquidators		-	872	872	-
Rental income received on social housing units		-	45	45	-
Fee income received on IBRC short term facility	5	-	-	-	14,628
Net cash (used in) / provided by other operating activities		**(81,264)**	**171,755**	**90,491**	**(1,711,142)**
Net cash provided by operating activities		**1,332,440**	**3,518,151**	**4,850,591**	**2,123,782**
Cash flow from investing activities					
Investments in equity instruments		-	(1,477)	(1,477)	-
Purchase of available for sale assets		-	(149,719)	(149,719)	(563,414)
Sale of available for sale assets		-	267,750	267,750	827,001
Distributions received from investments		-	97	97	-
Net cash provided by investing activities		**-**	**116,651**	**116,651**	**263,587**
Cash flow from financing activities					
Redemption of senior debt securities	30	(1,000,000)	(2,750,000)	(3,750,000)	(3,500,000)
Net cash used in financing activities		**(1,000,000)**	**(2,750,000)**	**(3,750,000)**	**(3,500,000)**
Cash and cash equivalents held at the beginning of the year	16	-	2,235,822	2,235,822	3,346,986
Net cash provided by operating activities		1,332,440	3,518,151	4,850,591	2,123,782
Net cash provided by investing activities		-	116,651	116,651	263,587
Net cash used in financing activities		(1,000,000)	(2,750,000)	(3,750,000)	(3,500,000)
Effects of exchange-rate changes on cash and cash equivalents		-	172	172	1,467
Total cash and cash equivalents held at the end of the year	**16**	**332,440**	**3,120,796**	**3,453,236**	**2,235,822**
Financial assets and cash collateral					
Financial assets available for sale	17	-	145,138	145,138	257,932
Cash collateral placed with the NTMA	16	63,000	739,000	802,000	1,150,000
Total		**395,440**	**4,004,934**	**4,400,374**	**3,643,754**

AGENCY STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	Year ended 31 December 2013 €'000	Year ended 31 December 2012 €'000
Cash flow from operating activities			
Bank interest received		2	6
Board fees paid		(523)	(475)
Rent paid		(997)	(750)
Net reimbursement from NALML for expenses		1,173	864
Net cash used in operating activities		**(345)**	**(355)**
Cash flow from financing activities			
Working capital loan to joint Special Liquidators		(511,130)	-
Repayments of working capital loan to joint Special Liquidators		511,130	-
Interest received on loan to joint Special Liquidators		872	-
Loan from NALML[4]		(511,130)	-
Repayment of loan from NALML		511,130	-
Interest paid on loan from NALML		(643)	-
Net cash provided by financing activities		**229**	**-**
Cash held at the beginning of the year	16	1,268	1,623
Net cash used in operating activities		(345)	(355)
Net cash provided by financing activities		229	-
Cash held at the end of the year	16	**1,152**	**1,268**

4 *Following the liquidation of IBRC, NAMA provided a loan facility of up to €1 billion to the joint Special Liquidators of IBRC. Funding for the loan facility was provided by NALML, a Group entity.*

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The proposed creation of the National Asset Management Agency was announced in the Minister for Finance's Supplementary Budget on 7 April 2009 and 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 main purpose of NAMA is to acquire assets in the form of property related loans from credit institutions which have been designated by the Minister for Finance as Participating Institutions under Section 67 of the Act. The original Participating Institutions were: Allied Irish Banks, p.l.c. ('AIB'), Anglo Irish Bank Corporation Limited ('Anglo'), Bank of Ireland ('BOI'), Irish Nationwide Building Society ('INBS') and EBS Building Society ('EBS').

On 1 July 2011 AIB merged with EBS. On 1 July 2011 the business of INBS transferred to Anglo and on 14 October 2011 the latter's name was changed to Irish Bank Resolution Corporation ('IBRC'). IBRC was subsequently liquidated on 6 February 2013. On 7 February 2013, the joint Special Liquidators were appointed under the IBRC Act 2013 and assumed the role of the primary servicer, and with effect from 12 August 2013, the role of the primary servicer of NAMA loans in IBRC is being fulfilled by Capita.

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 Limited (NAMAIL), National Asset Resolution Limited (NARL), National Asset Management Limited (NAML), National Asset Management Group Services Limited (NAMGSL), National Asset Loan Management Limited (NALML), National Asset Management Services Limited (NAMSL), National Asset JV A Limited (NAJVAL), National Asset Property Management Limited (NAPML), National Asset Residential Property Services Limited (NARPSL) and National Asset Sarasota LLC (NASLLC).

The Group and the relationship between NAMA Group entities is summarised in Chart 1.

National Asset Management Agency Investment Limited (NAMAIL)

NAMAIL was incorporated on 27 January 2010. NAMAIL is the company through which private investors have invested in the Group. NAMA holds 49% of the shares of the company. The remaining 51% of the shares of the company are held by private investors.

NAMA has invested €49m in NAMAIL, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAIL 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 may exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company. By virtue of this control NAMA has consolidated NAMAIL and its subsidiaries and the 51% external investment in NAMAIL is reported as a non-controlling interest in these financial statements.

National Asset Resolution Limited (NARL)

On 7 February 2013, joint Special Liquidators were appointed to IBRC under the Irish Bank Resolution Corporation Act 2013. On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a loan facility deed and floating charge over certain IBRC assets. Consideration was in the form of Government Guaranteed debt securities and cash. The debt securities were issued by NAML and transferred to NARL via a profit participating loan facility. NARL is a 100% subsidiary of NAMAIL.

NARL is the senior creditor of IBRC (in liquidation), therefore funds received by the joint Special Liquidators are used to reduce the loan facility deed in the first instance. NAMA has no involvement in the liquidation process and the financial statements recognise funds received from the joint Special Liquidators and other transactions to facilitate the orderly wind up of IBRC arising from the Minister's directions under the Act.

1. GENERAL INFORMATION (CONTINUED)

1.1 National Asset Management Agency Group (continued)

National Asset Management Limited (NAML)

NAML was incorporated on 27 January 2010. NAML 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 NAML are listed on the Irish Stock Exchange.

The government guaranteed debt instruments and the subordinated debt instruments, issued before the reporting period in respect of the original loan portfolio, were transferred to NAMGSL and by NAMGSL to NALML. The latter used these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

The government guaranteed debt instruments issued during the reporting period in respect of the acquisition of the loan facility deed and floating charge over certain IBRC assets were transferred to NARL.

NAMA has eight subsidiaries:

1) National Asset Management Group Services Limited (NAMGSL)

NAMGSL acts as the holding company for its seven subsidiaries; NALML, NAMSL, NAJVAL, NAPML, NARPSL, NASLLC and NALHL.

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

2) National Asset Loan Management Limited (NALML)

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

3) National Asset Management Services Limited (NAMSL)

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

4) National Asset JV A Limited (NAJVAL)

On 4 July 2013 NAMA established a new subsidiary, National Asset JV A Limited (NAJVAL). NAJVAL is a wholly owned subsidiary of NAMGSL. NAMA entered a joint venture arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJVAL was established to facilitate this transaction. The Group is not able to exercise significant influence over the partnership, as the other 80% interest is held by one shareholder who controls the decision making of the partnership. NAJVAL's 20% investment in the partnership is recognised as an equity investment.

5) National Asset Property Management Limited (NAPML)

NAPML was incorporated on 27 January 2010. The purpose of NAPML is to take direct ownership of property assets if and when required. In 2011 certain land and development sites were acquired by NALML as consideration for the settlement of a guarantee held by NALML. At the reporting date ownership of property interests had transferred from NALML to NAPML. In addition minor non-real estate assets were also acquired by NALML and transferred to NAPML during 2012.

NAPML has three subsidiaries; NARPSL, NASLLC and NALHL:

6) National Asset Residential Property Services Limited (NARPSL)

On 18 July 2012 NAMA established a new subsidiary National Asset Residential Property Services Limited (NARPSL). NARPSL is a wholly owned subsidiary of NAPML, and was established to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies for social housing purposes.

596 residential properties were delivered to the social housing sector by NAMA debtors from inception to the reporting date. This includes the direct sale of 378 properties by NAMA debtors to various approved housing bodies, the direct leasing of 54 properties and exchange of contract on 104 properties. In addition, 60 properties had been acquired by NARPSL and leased to approved housing bodies at the reporting date.

7) National Asset Sarasota LLC (NASLLC)

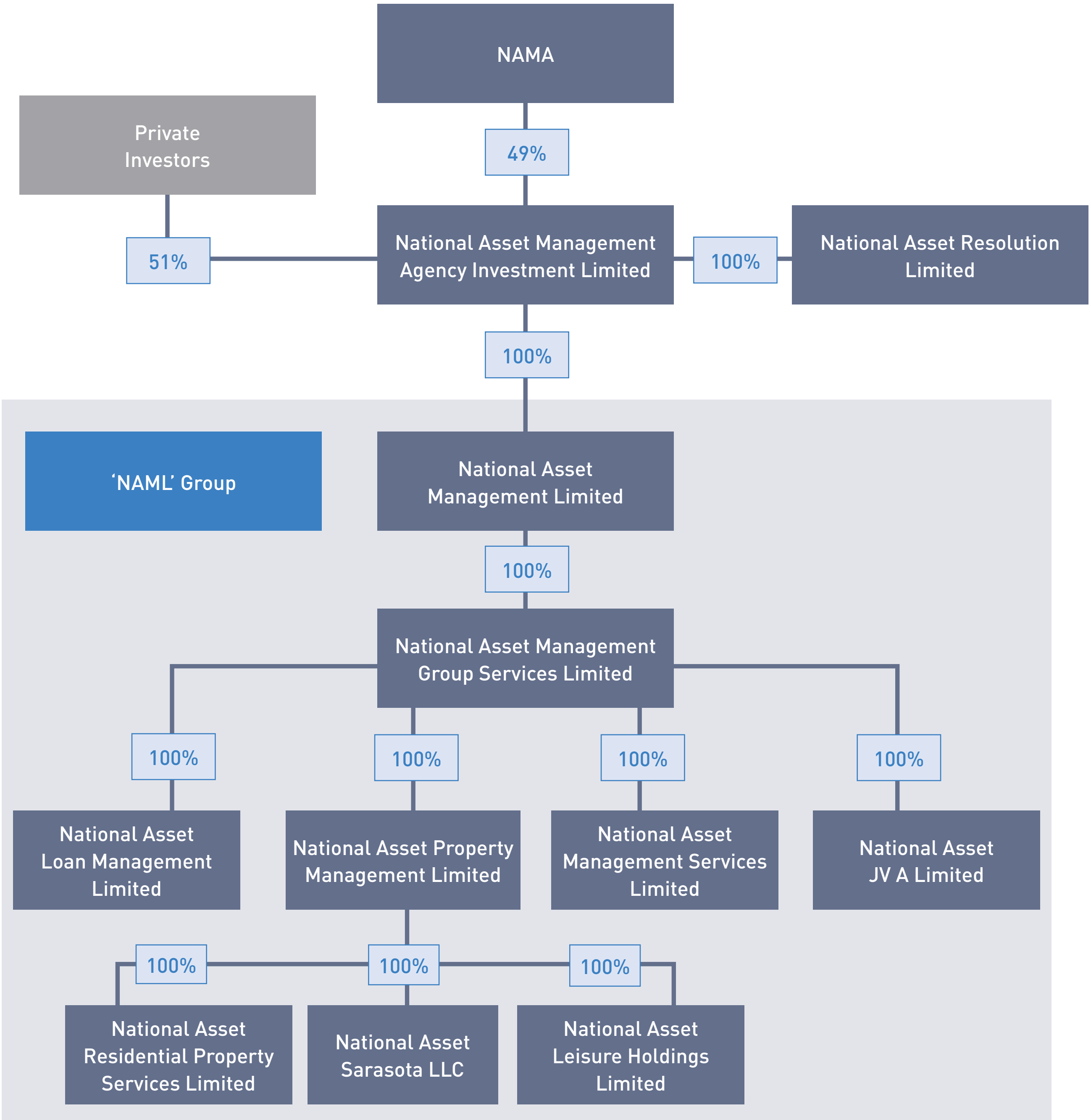
On 1 August 2013 NAMA established a new US subsidiary, National Asset Sarasota Limited Liability Company (NASLLC). NASLLC is a wholly owned subsidiary of NAPML, and was established to acquire a property asset located in the US, in settlement of debt owed to NAMA.

8) National Asset Leisure Holdings Limited (NALHL)

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

The address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC, which is incorporated and domiciled in the US.

CHART 1 NAMA GROUP



2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Going concern

The financial statements are prepared on a going concern basis and the Board is satisfied that the Group will continue as a going concern for the foreseeable future.

Most of the Agency's funding is in the form of short term Government Guaranteed Floating Rate Notes ("the Notes"). The outstanding balance of these Notes at 31 December 2013 is €34,618m.

The Notes in issue are redeemable at the option of the holder in cash or by the issuance of new notes. Consequently, a requirement to redeem some or all of the Notes for cash could leave the Agency in a position where it would have to call on the Government to fund such cash redemption, if sufficient own resources were not available.

The Agency was established under statute with a specific statutory mandate. In its consideration of whether accounting on a going concern basis is appropriate, the Board has had regard to the purposes of the Act as set out therein. These are, *inter alia*, to address a serious threat to the economy and the stability of credit institutions in the State generally and the need for the maintenance and stabilisation of the financial system in the State. The Board believes it is reasonable to assume that, given the purpose of the legislation, the State will take appropriate steps to ensure that the Agency is put in a position to discharge its mandate.

The first statutory assessment of NAMA's progress in achieving its overall objectives is to be carried out by the Minister as soon as may be after 31 December 2012. In accordance with Section 227 of the Act, following the assessment by the Minister, he shall decide whether the continuation of NAMA is necessary having regard to the purposes of the Act. The Section 227 assessment by the Minister commenced in February 2014.

Under Section 226 of the Act, the Comptroller and Auditor General is required to assess and present a report to the Minister on his assessment of the extent to which NAMA has made progress in achieving its overall objectives. This assessment has been finalised.

The Agency's activities are subject to risk factors including credit, liquidity, market, and operational risk. The Board has reviewed these risk factors and all relevant information to assess the Agency's ability to continue as a going concern. The Board and its Committees review key aspects of the Agency's activities on an ongoing basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

At the reporting date NAMA had equity and reserves of €810m (2012: €412m). Total cash and liquid assets at the reporting date was €4,400m (2012: €3,644m).

The Notes issued relating to the original loan acquisitions from Participating Institutions were €22,690m (2012: €25,440m) at the reporting date and are all held by Credit Institutions ('NALML portfolio'). The Notes issued to acquire the facility deed and floating charge over the IBRC assets, following its liquidation in February 2013, were €11,928m at the reporting date and are held by the Central Bank of Ireland ('NARL portfolio').

The NALML portfolio note holders are all Credit Institutions covered by the Credit Institutions (Eligible Liabilities Guarantee Scheme) 2009 and are subject to direction from the Minister for Finance and the Notes are guaranteed by the Government. Given these circumstances, the Board believes that its assumption that, on the maturity of the Notes, NAMA will be able to settle its liability with new Notes, issued on similar terms, is a reasonable one. All notes in issue that matured on 1 March 2014 were settled by issuing new Notes with a maturity of 3 March 2015.

The Central Bank of Ireland are the holders of €11,928m at the reporting date of Government Guaranteed Senior Notes, issued by the Group, following the liquidation of IBRC and the assignment of the loan facility deed and floating charge to NAMA. In April 2014, the joint Special Liquidators concluded the loan sales process and the majority of the IBRC loan portfolio has been sold to third parties. It is expected that the NAMA senior debt issued in respect of the NARL portfolio (€11,928m at the reporting date) will be repaid in full.

The Group has available cash, cash equivalents and liquid assets at 31 December 2013 of €4.4bn (2012: €3.6bn) and current liabilities (other than senior debt) of €0.8bn (2012: €1.4bn), 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 loans and borrowings to the Minister and has no other external borrowings.

On this basis, the Board is satisfied that the Agency will have access to adequate resources to continue its operations for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

2.2 Basis of compliance and measurement

The Group's consolidated and Agency financial statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the NAMA Act 2009.

The consolidated and Agency financial statements have been prepared under the historical cost convention, except for derivative financial instruments, equity instruments and available for sale assets, which have been measured at fair value.

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

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the 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 (management approach).

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

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

The following standards and interpretations have been issued and are expected to be relevant to the Group.

Standards issued but not effective:

IFRS 9 Financial Instruments - Classification and Measurement. This standard will be applicable for accounting periods beginning on or after 1 January 2015 subject to EU endorsement. This standard is still being developed by the International Accounting Standards Board (IASB). The first phase of classification and measurement is complete and will have an impact on the measurement of financial assets and liabilities of the Group, specifically on debt securities in issue which, depending on certain criteria may be measured at fair value as opposed to the current measurement of amortised cost. Phases 2 and 3 of the project deal with impairment methodology and hedge accounting and are expected to impact the Group in these areas, however the exact impact cannot yet be determined until the final methodology is issued by the IASB. The revised standard has not yet been EU endorsed and therefore is not early adopted by the Group.

Amendments to IFRS 7 Financial Instruments: Disclosures: The IASB published *Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7),* to amend the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and to modify the relief from restating prior periods and the associated disclosures in IFRS 7. These amendments are required to be applied when IFRS 9 is first adopted. The provision of modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption replaces the entities original requirement to restate comparative financial statements. An entity can choose to restate prior periods. An entity that adopts IFRS 9 for reporting periods beginning after 1 January 2013 is not required to restate prior periods but is required to provide the modified disclosures.

This standard will have an impact on the current disclosure requirements of the Group only when IFRS 9 is adopted. This amendment has not yet been EU endorsed and therefore is not early adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 IFRS Standards, amendments and interpretations issued but not yet effective (continued)

New standards in issue and adopted

IAS 1 Revised – Presentation of items in Other Comprehensive Income: IAS 1 was effective from 1 July 2012. The revisions require that items recognised in other comprehensive income are split into those that may be reclassified to profit or loss and those that are not reclassified. This amendment has no impact on the Group as all items currently classified in other comprehensive income may be reclassified to the income statement.

IFRS 10 Consolidated Financial Statements: IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities.

This standard which is effective from 1 January 2013 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

The adoption of this standard had no impact on the financial position of the Group. Further information about NAMA's subsidiaries is set out in Note 38 to the Financial Statements.

IFRS 11 Joint Arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. There are two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangement and other relevant facts. Proportionate consolidation measurement for joint ventures is no longer allowed, joint ventures are accounted for using the equity method.

The Group currently has no participation in joint venture arrangements and therefore the adoption of this standard did not have any impact on the financial position of the Group.

IFRS 12 Disclosure of Interests in Other Entities: This standard which is effective from 1 January 2013 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements; it also replaces the disclosure requirements in IAS 28 Investments in Associates and Joint Ventures. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. This basic principle is further supported by more detailed disclosure objectives and requirements. The Group has no associates, joint ventures or investments in unstructured entities at the reporting date that result in additional disclosures. Additional disclosures only relate to NAMA subsidiaries as disclosed in Note 38 to the Financial Statements.

IAS 27 Separate Financial Statements (revised 2011): The revised standard is effective from 1 January 2013. The requirements relating to separate financial statements are unchanged and are included in the revised IAS 27. The other sections of IAS 27 are replaced by IFRS 10 Consolidated Financial Statements. IAS 27 is renamed 'Separate Financial Statements' and is now a standard dealing solely with separate financial statements. The existing guidance and disclosure requirements for separate financial statements are unchanged. The adoption of this standard had no impact on the financial position of the Group.

IFRS 13 Fair Value Measurement: This standard which is effective from 1 January 2013 establishes a single source of guidance for fair value measurements under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The standard requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. This information is required for both financial and non-financial assets and liabilities. The adoption of this standard has resulted in additional disclosures. See accounting policy 2.27.

2.4 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the parent entity, NAMA and all its subsidiaries. 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 where it directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities.

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

Inter-company 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 38.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition.

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

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

2.6 Financial assets

The Group classifies its financial assets into the following IAS 39 categories:

(a) Financial assets at fair value through profit or loss;

(b) Loans and receivables and;

(c) Available for sale financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

(a) Financial assets at fair value through profit or loss

This category of assets comprises derivatives other than derivatives that are designated and are effective as hedging instruments and equity instruments.

Derivatives

These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Interest income and expense arising on these assets are included in interest income and interest expense in the consolidated income statement. Fair value gains and losses on these financial assets are included in gains and losses on derivative financial instruments in the consolidated income statement or as part of foreign exchange gains and losses where they relate to currency derivatives.

Equity instruments

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

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

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

Equity instruments are separately disclosed in the Statement of Financial Position.

(b) Loans and receivables

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

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

Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method (see accounting policy 2.9).

Loans and receivables are classified as follows;

- Land and development loans
- Investment property loans

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

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

(c) Available for sale financial assets

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

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

2.7 Financial liabilities

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.15.

2.8 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.

2.9 Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments is recognised as interest income and interest expense in the income statement using the EIR method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the EIR of loans and receivables on the original NAMA portfolio, the Group estimated cash flows using the mandated Long Term Economic Value (LTEV) methodology but did not consider future credit losses beyond any already recognised in the acquisition price of loans. The calculation includes transaction costs and all fees paid or received between parties to the contract that are an integral part of the EIR.

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

The EIR on the IBRC loan facility deed acquired is calculated with reference to the ECB Marginal Lending Facility Rate plus a fixed margin of 1%.

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

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

2.10 Fee income

Fee income that is an integral part of calculating the EIR or in originating a loan is recognised as part of EIR as described in accounting policy 2.9. Fees earned by the Group that are not part of EIR are recognised immediately in profit or loss as fee income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Profit / loss on disposal of loans and property assets; and surplus income

(a) Profit and loss on the disposal of loans and property assets

NAMA debtors disposed of certain loan/property assets to third parties during the year. Profits and losses on the disposal of loans/property are calculated as the difference between the carrying value of the loans/property and the contractual sales price at the date of sale. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow in accordance with IAS 32. Profits and losses on the disposal of loans/property are recognised in the income statement when the transaction occurs. Profit on disposal of loans is not recognised when the overall debtor connection is impaired in accordance with latest available impairment assessment data.

(b) Surplus income

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

(i) to the extent that actual cash flows for a total debtor connection are in excess of the total debtor connection loan carrying values, i.e. to the extent that the debtor has repaid all of its NAMA debt. Such income is recognised semi-annually; and

(ii) when the estimated discounted cash flows for the total debtor connection are greater than the total debtor connection loan carrying value. Such surplus income, to the extent that it is realised from specific loan assets within the connection, is assessed on a semi-annual basis.

2.12 Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

(a) Loans and receivables carried at amortised cost

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

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

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

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

Individually Significant

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

Collective Assessment

Loans which are not subject to individually significant assessment are grouped collectively for the purposes of performing an impairment assessment.

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

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

2.13 Impairment of non-financial assets

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

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

2.14 Cash and cash equivalents

Cash comprises cash on hand, demand deposits and exchequer notes.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Derivative financial instruments and hedge accounting

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

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

Derivatives are accounted for either at fair value through profit or loss or, where they are designated as hedging instruments, using the hedge accounting provisions of IAS 39.

Derivatives at fair value through profit or loss

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedge accounting (continued)

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

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value gains or losses on derivatives (other than currency derivatives) are recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

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

Derivatives designated in hedge relationships

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

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

Cash flow hedge

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

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

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

2.16 Inventories - trading properties

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

2.17 Taxation

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

(a) Current income tax

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

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

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

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

(b) Deferred income tax

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

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

Deferred income tax related to cash flow hedges and available for sale reserve movements 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.

2.18 Provisions for liabilities and charges and contingent assets and liabilities

Provisions

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

Contingent liabilities

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

Contingent assets

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

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

2.19 Amounts due to and from Participating Institutions

Unsettled overdraft positions

The Participating Institutions fund overdraft accounts and collect cash repayments on overdraft accounts on NAMA's behalf. The amounts funded by Participating Institutions are recognised in the statement of financial position as amounts due to Participating Institutions and the amounts collected are recognised as amounts due from Participating Institutions. The net amount due to / from Participating Institutions is applied against the outstanding loans and receivables balance.

2.20 Property, plant and equipment

The Agency incurred costs for the fit-out of leased office space. Costs incurred are capitalised in the statement of financial position as property, plant and equipment in accordance with IAS 16. The recognised asset is depreciated on a straight line basis over 10 years. A full year's depreciation is recognised in the year the asset is capitalised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial guarantee contracts acquired

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

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

2.22 Debt and equity instruments

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

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

Debt securities in issue are initially measured at fair value less transaction costs and are subsequently measured at amortised cost using the EIR method.

2.23 Share capital

(a) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's shareholders. Dividends for the period that are declared after the date of the consolidated statement of financial position are dealt with in Note 41, Events after the reporting date.

(b) Coupon on other equity instrument

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

2.24 Segmental reporting

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

2.25 Non-controlling interests in subsidiaries

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

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

2.26 Cash placed as collateral with the NTMA

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

Cash placed as collateral is 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.

2.27 Determination of fair value

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

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

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

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

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

Valuation techniques

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

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- The likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- Selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Determination of fair value (continued)

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

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

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

2.28 Operating leases

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

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 consolidated financial statements are described as follows:

3.1 Impairment of loans and receivables and related derivatives acquired

The Group's policy is to review its portfolio of loans and receivables for impairment semi-annually. In determining whether an impairment loss should be recorded in the consolidated income statement at the reporting date, the Group makes judgements as to whether any observable data exists indicating evidence of impairment which would be likely to result in a measurable decrease in the timings and amounts of the estimated future cash flows. The Group's policy on impairment of financial assets is set out in accounting policy 2.12.

Loans and receivables are either individually assessed or grouped together and collectively assessed for impairment.

The individually assessed debtors representing loans and associated derivatives with a carrying value of €19.6bn (includes €0.1bn of associated borrower derivatives (2012: €0.3bn)), (2012: €22.3bn), comprise the majority, 85%, (2012:84%) of loans and receivables managed by NAMA. The remaining loans, representing a carrying value of €3.6bn (2012: €4.1bn), and which relate to debtors principally managed by Participating Institutions have not been individually assessed and are grouped together as one portfolio for collective assessment.

The incremental impairment charge for 2013 is €914m (2012: €518m). This brings the total cumulative impairment provision to €4,125m (2012: €3,263m), representing a coverage of 17.5% (2012: 12.4%).

Individually assessed debtors

The impairment assessment of individually assessed debtors is based on cash flow projections which were prepared by individual case managers and reviewed by management for each individually assessed debtor connection.

The cash flows reflect NAMA's best estimate of expected future cash flows for each individually assessed debtor and include the future estimated cash flows from the disposal of property collateral and other non-disposal income (such as rental income).

The projection of cash flows involves the exercise of considerable judgement and estimation by management (taking into account the actual underlying cash flows) involving assumptions in respect of local economic conditions, the performance of the debtor and the value of the underlying property collateral. As a result the actual cash flows, and their timing, may differ from the projected cash flows prepared by management for the purposes of determining the amount of impairment provision for individually significant debtors. Cash flow projections are prepared based on the most recent agreed strategy for each debtor. Cash flow estimates may change if there is a change in a strategy for example from an asset disposal strategy to a loan sale strategy.

The net increase in the specific impairment provision of €552m reflects a very detailed review undertaken by NAMA at end-2013 in respect of its individually assessed debtors and with a particular focus on the disposal value of property collateral scheduled for disposal during the period from 2014 to 2016. The Board decided to perform a detailed three-year review at end-2013 compared to a two-year detailed review at end-2012. Based on this assessment, NAMA has adjusted the disposal value of property collateral to reflect market movements since the cash flows were originally prepared (as part of the debtor business plan process) and to reflect also NAMA's current expectations based on market conditions and other available evidence.

The assumptions used for projecting both the amount and timing of future cash flows for individual debtors are reviewed regularly by management and cash flow projections are updated.

Following the completion of all individual debtor cash flows these are grouped together and the cash flows are subject to sensitivity analysis to assess the likely impact on the impairment provision of a change in the timing and amount of cash flows.

Sensitivity analysis

The 2013 impairment provision is determined after the following inputs are assessed:

- Estimated cash flows generated from underlying security as collateral to a loan
- Expected disposal value of the underlying security
- Expected timing of the realisation of cash flows including the timing of the expected future disposal of the security.

Following the completion of a detailed cash flow assessment of debtors with a combined value of €19.6bn (2012: €22.3bn) the consolidated results of this cash flow assessment allow NAMA to apply certain sensitivities to its portfolio and assess the impact of these sensitivities on the impairment provision.

Individual cash flows are projected for each individual property (collateral) asset. These are then consolidated into a single cash flow for each debtor connection for the purposes of the impairment assessment exercise.

NAMA performs its sensitivity analysis at a property (collateral) asset level. In practice, this means the projected disposal value for each individual property asset by location is reduced by 1%. The debtor connection cash flows are then updated with the revised projected disposal values and a revised impairment provision is calculated for each debtor connection. The overall revised provision is then compared to the actual impairment provision to demonstrate the impact of a 1% reduction in projected disposal values.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Impairment of loans and receivables and related derivatives acquired (continued)

The table below sets out the impact on the 2013 impairment provision of a change in the amount of cash flows over certain geographies and asset types.

Estimated increase in €m on the 2013 impairment charge of a 1% decrease in the amount of expected cash flows by asset type and location.

	Ireland €m	UK (including Northern Ireland) €m	ROW €m	Ireland €m	UK (including Northern Ireland) €m
	2013	2013	2013	2012	2012
Land and development	25	4	2	28	6
Residential	15	3	1	21	5
Commercial	18	4	2	22	14
Retail	21	8	1	21	11
Hotel and leisure	6	3	3	9	4
Total	**85**	**22**	**9**	**101**	**40**

Collectively assessed debtors

Debtors that are not individually assessed are considered collectively for the purposes of performing an impairment assessment ('collective assessment'). The debtors which are collectively assessed represent principally the Participating Institutions managed debtors. For the purpose of the collective assessment, in 2013 NAMA has calculated an impairment loss rate using a sample of cash flows which were prepared in respect of the Participating Institutions managed debtors. This rate is then applied to the collectively assessed debt to determine the level of collective impairment provision required. This is a revised method to the collective assessment from previous periods and reflects more information being available in respect of expected cash flows for participating institutions managed debtors. The revised method has resulted in an increase in the collective impairment provisioning rate from 12.4% to 23.0% and a recommended total collective provision of €822m (2012: €512m).

The amount of any collective impairment provision recognised is estimated by management in the light of the level of impairment experienced in the sample selected. In doing so, its key assumption is that the performance characteristics of the Participating Institution managed portfolio is similar to that of the sample of debtors selected to estimate the collective impairment provision. If the performance of cash flows differs from expectation or if the performance of the remaining portfolio differs from the sample selected this would have an impact on the level of the collective impairment provision.

NAMA continues to enhance the impairment process for the purpose of calculating the collective impairment provision on the participating institution managed portfolio. At end 2013 NAMA requested the Participating Institutions to prepare cash flows using the "Sales Tracker" forecasting tool for all debtors managed by them. The primary objective of this exercise which is due to be completed by 30 June 2014 is to facilitate the collection of asset level data on the Participating Institution managed portfolio for strategic analysis and management of the portfolio. However the additional information gathered will be used by NAMA to enhance the calculation of the collective impairment provision at 30 June 2014 as part of its half-year impairment assessment. While the 2013 process for determining the collective provision has been enhanced, the further enhancement of this process and additional information which will be available to NAMA in 2014 in respect of its Participating Institution managed portfolio cash flows may result in increases or decreases to the amount of the collective impairment provision.

An independent review is carried out by NAMA's internal auditors of the impairment process annually. The scope of this review includes assessing the impairment review process and the accuracy and completeness of inputs to the individual and collective assessments.

Impairment of loan facility deed from IBRC

On 7 February 2013, the Minister issued a series of directions to NAMA under the IBRC Act. Among the Directions issued to NAMA were;

Direction NAMA/1/13/IBRC Act

This directs NAMA (or a NAMA SPV) to enter a Deed of Assignment and Transfer with the Central Bank to acquire;

a) A loan facility deed between IBRC and the Central Bank

b) A legal charge between IBRC and the Central Bank over the assets of IBRC.

c) The benefit of a guarantee given by the Minister in favour of the Central Bank.

Direction NAMA/2/13/IBRC Act

This directs NAMA (or a NAMA SPV) to make a bid for the assets of IBRC at an independent valuation price established by the joint Special Liquidators.

In response to these Directions, NAMA established a new NAMA group entity, National Asset Resolution Limited (NARL), which was incorporated on 11 February 2013.

On 28 March 2013, NAMA and NARL entered into the Deed of Assignment and Transfer with the Central Bank. Consideration paid was €12.928bn in the form of €12.928bn of Government Guaranteed debt securities and cash of €343k. The debt securities were issued by NAML and transferred to NARL via a profit participating loan facility. The debt securities were used by NARL to acquire the facility deed from the Central Bank (secured by a floating charge over the assets of IBRC).

At the reporting date the balance outstanding on the loan facility deed was €11.7bn, following the repayment during the year of €1.4bn in principal and interest by the joint Special Liquidators. In accordance with IFRS, the loan facility deed is required to be assessed for impairment at 31 December 2013. The recoverability of the loan facility deed by NARL is dependent on repayment of the underlying loans and the realisation of the value of the underlying assets of the IBRC portfolio, over which NAMA has a floating charge. NARL is the senior creditor of IBRC (in liquidation), therefore funds received by the joint Special Liquidators are used to reduce the loan facility deed in the first instance. In April 2014, the joint Special Liquidators concluded the loan sales process and the majority of the IBRC loan portfolio has been sold to third parties. The Minister announced on 25 April 2014 that no IBRC loans will transfer to NAMA. It is expected that the joint Special Liquidators will remit sufficient cash to NAMA during 2014 to repay the loan facility deed in full and permit the full redemption of the NAMA senior bonds issued to the Central Bank at the time of the IBRC liquidation.

At the date of authorisation of the financial statements for issue, the balance on the NARL facility deed is €8.5bn. As sales complete, cash proceeds of sale will be remitted to NAMA by the joint Special Liquidators, which will then be used to repay outstanding senior debt securities in issue to the Central Bank.

3.2 Income recognition on loans and receivables

EIR income recognition

The accounting policy for the recognition of interest income for loans and receivables is set out in accounting policy 2.9. The original loan portfolio acquired by the Group was acquired at a significant discount to the Par value of the loans, reflecting loan losses already incurred on the loans pre acquisition by NAMA. The EIR of this portfolio is set as the discount rate that equates the present value of the cash flows assumed in the loan acquisition valuation model to the acquisition value. This rate is set at valuation date and becomes the original EIR of the loan.

Actual cash flows over the life of a debtor may differ positively or negatively from the expected cash flows assumed in the acquisition valuation model. The Group reviews expected cash flows at least annually as part of its impairment review (see Note 3.1). Any changes to assumptions would have an impact on interest income on loans and receivables carried at amortised cost as disclosed in Note 5. Interest income will not be recognised on any impaired portion of an asset, thus reducing interest income where revised estimated cash flows are less than the original expected cash flows in the loan acquisition model.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.3 Surplus income

The Group's policy is to review its portfolio of debtors for surplus income semi-annually. The Group recognises surplus income in two instances:

1) Debtors who have made debt repayments in excess of their NAMA debt. These repayments resulted in the recognition of €306m in 2013 (2012: €108m).

2) Debtors with positive net present values and who have passed stringent stressed conditions. The Group realised €225m (2012: €64m) from these debtors in 2013.

The net present value (NPV) for each individually assessed debtor involves the projection of their future cash flows (including the future estimated cash flows from the disposal of property collateral and other non-disposal income). The estimated discounted future cash flows are then compared to their carrying value in order to calculate the NPV surplus of each debtor.

In the case of debtors that result in a NPV positive value, stringent stressed conditions are then applied which may result in the recognition of surplus income for a very limited number of debtors with significant positive NPVs. These stressed conditions which include an assessment of the level of workout of the debtor and the application of a NPV sensitivity buffer are assessed semi-annually.

The projection of cash flows involves the exercise of judgement and estimation by management, as a result the actual cash flows, and their timing, may differ from the projected cash flows. Assumptions used for the cash flow projections are reviewed and updated regularly by management.

3.4 Deferred tax

The accounting policy for deferred tax is set out in accounting policy 2.17. Deferred income tax assets are recognised in respect of tax losses carried forward only to the extent that realisation of the related tax benefit is probable. A net deferred tax asset of €202m (2012: €337m) is recognised in the financial statements at the year end, comprising a deferred income tax asset of €93m (2012: €133m) in respect of unutilised tax losses and deferred tax on derivatives of €110m (2012: €204m).

Deferred tax assets are recognised to the extent that management believe those assets will be realised in future periods. The realisation of deferred tax assets is dependent on the Group generating future taxable profits to offset deferred tax assets recognised. Having regard to the profit generated by the Group in 2012 and 2013, and the realisation in 2012 and 2013 of a significant portion of the deferred tax assets recognised in 2011, management believes that future taxable profits will be available to offset any remaining deferred tax asset recognised and therefore consider it appropriate to continue to recognise deferred tax assets at the reporting date.

4. SEGMENTAL ANALYSIS

Operating segments are reported in accordance with the internal reporting provided to the NAMA Chief Executive Officer (the chief operating decision-maker). The Act provides that the Chief Executive Officer 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 him 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 Group has determined it has only one operating segment on a worldwide basis, which is its acquired loan portfolio. The primary activity of the business is that of the acquisition from Participating Institutions of eligible loans, dealing expeditiously with the loans acquired and protecting or otherwise enhancing the value of those loans.

The information provided about the segment is based on monthly and quarterly financial reports and monthly management information, which is reviewed by the Chief Executive Officer.

NAMA reports monthly key performance indicators (KPIs) to the Senior Executive Team and the Board. The critical KPIs reported by NAMA are cash generation, disposal receipts and non-disposal income.

Segmental results of operations

The segmental information provided to the Chief Executive Officer for the reportable segment is the same information as the consolidated income statement and consolidated statement of financial position and is not re-presented in the Notes. The table below shows the geographical analysis of external revenue, assets and liabilities. The analysis is shown for assets and liabilities external to the Group and does not show inter-group assets or liabilities.

Geographical analysis

31 December 2013 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	ROW €'000	Loan impairment €'000	2013 Total €'000
Gross external revenue	885,570	346,308	102,838	-	**1,334,716**
External assets					
Loans and receivables before impairment	27,559,422	5,954,661	1,924,876	-	**35,438,959**
Impairment of loans and receivables	-	-	-	(4,125,260)	**(4,125,260)**
Loans and receivables	**27,559,422**	**5,954,661**	**1,924,876**	**(4,125,260)**	**31,313,699**
Other external assets	4,634,555	72,936	1,822	-	**4,709,313**
Total external assets	**32,193,977**	**6,027,597**	**1,926,698**	**(4,125,260)**	**36,023,012**
External liabilities	35,415,461	-	-	-	**35,415,461**
Total liabilities	**35,415,461**	**-**	**-**	**-**	**35,415,461**

31 December 2012 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	ROW €'000	Loan impairment €'000	2012 Total €'000
Gross external revenue	834,638	459,726	92,459	-	**1,386,823**
External assets					
Loans and receivables before impairment	16,494,077	7,354,609	2,190,998	-	**26,039,684**
Impairment of loans and receivables	-	-	-	(3,263,422)	**(3,263,422)**
Loans and receivables	**16,494,077**	**7,354,609**	**2,190,998**	**(3,263,422)**	**22,776,262**
Other external assets	4,218,679	226,800	6,301	-	**4,451,780**
Total external assets	**20,712,756**	**7,581,409**	**2,197,299**	**(3,263,422)**	**27,228,042**
External liabilities	26,815,295	-	-	-	**26,816,295**
Total liabilities	**26,816,295**	**-**	**-**	**-**	**26,816,295**

Revenues and assets are attributed to countries on the basis of the location of collateral.

Impairment of loans and receivables by geographic sector is not provided as the impairment assessment is carried out at a debtor level and individual debtors will have collateral located across the different geographic sectors.

The majority of external liabilities includes senior debt securities in issue, which are issued in euro on the Irish Stock Exchange and are therefore reported as part of Ireland's geographic segment.

No revenues were derived from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

5. INTEREST AND FEE INCOME

The IBRC loan facility deed and the floating charge which are included in external assets, are included in Ireland because the cash proceeds from the underlying asset sales will be repaid to NAMA by the joint Special Liquidators.

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Interest on loans and receivables	201,291	1,058,032	1,259,323	1,221,862
Interest on acquired derivative financial instruments	-	50,422	50,422	84,526
Interest on cash and cash equivalents	250	12,879	13,129	23,792
Interest on available for sale financial assets	-	5,928	5,928	12,365
Interest on working capital loan to joint Special Liquidators	-	872	872	-
Total interest income	**201,541**	**1,128,133**	**1,329,674**	**1,342,545**
Fee income from borrowers	-	5,042	5,042	29,650
Fee income received on IBRC short term facility	-	-	-	14,628
Total interest and fee income	**201,541**	**1,133,175**	**1,334,716**	**1,386,823**

Interest income on loans and receivables is recognised in accordance with accounting policy 2.9.

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

Of the €1.26 billion (2012: €1.22bn) in interest income on loans and receivables recognised in the period 1 January 2013 to 31 December 2013, €0.9 billion was realised by way of interest income and non-disposal cash receipts (2012: €1.1bn). Any difference between the EIR income recognised and the element realised in cash in any particular period is factored into NAMA's impairment process.

Interest income on acquired derivative financial instruments relates to interest received on derivatives acquired from Participating Institutions that were associated with loans acquired.

Interest on cash and cash equivalents comprises interest earned on cash, short-term deposits, exchequer notes and commercial paper held during the year.

Interest on available for sale assets comprises interest earned on short term government bonds held for liquidity purposes.

During 2013, under a Ministerial direction, NAMA and the joint Special Liquidators of IBRC entered into a loan facility, agreeing an external loan of €1bn between NAMA and the joint Special Liquidators of IBRC. The purpose of the facility was to provide the joint Special Liquidators with working capital and cash collateral required by the NTMA to post to derivative counterparties of IBRC. At the reporting date, the balance outstanding on this facility was €nil. Interest charged by NAMA on this loan was 1.4% per annum.

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

Fee income received on IBRC short term facility

On receipt of a Ministerial direction issued on 29 March 2012, the Board approved a short-term facility with IBRC. This facility was collateralised by an Irish Government bond. The €3.06bn facility was drawn on 3 April 2012 with a maximum maturity under the Ministerial direction of 90 days. The facility was provided at a margin of 135 basis points over the European Central Bank refinancing rate, resulting in an all-in rate of 2.35% for the duration of the facility. The short-term facility matured on 20 June 2012 with the Group being repaid in full.

Agency	2013 €'000	2012 €'000
Interest on loan to joint Special Liquidators	872	-
Interest income on cash	2	2
Total interest income	**874**	**2**

6. INTEREST EXPENSE

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Interest on senior debt securities in issue	-	126,016	126,016	320,007
Interest on derivatives where hedge accounting is applied	-	231,590	231,590	116,079
Interest on other derivative financial instruments	-	16,905	16,905	53,772
Interest on interest bearing loans and borrowings (net)	195,844	(195,844)	-	2,034
Interest expense on borrower overdraft accounts	-	-	-	610
Total interest expense	**195,844**	**178,667**	**374,511**	**492,502**

On 28 March 2013, NAML issued bonds to the value of €12.928bn as consideration for the acquisition by NARL of a loan facility deed and floating charge over the assets of IBRC from Central Bank of Ireland. The interest expense incurred by NAML on these bonds in the year was €33.7m.

NARL has an intercompany profit participating facility agreement in operation with NAML, reflecting the consideration for the loan facility deed and floating charge acquired from the Central Bank. At the reporting date NARL has earned cumulative interest income of €201m on the loan facility deed, of which €196m has been transferred to NAML by way of profit participating loan interest.

Agency	2013 €'000	2012 €'000
Interest paid on intergroup loans	**836**	**600**

7. OTHER INCOME / (EXPENSES)

Group	2013 €'000	2012 €'000
Lease rental income	54	-
Write-down of trading properties	(2,914)	-
Total other income / (expenses)	**(2,860)**	**-**

Lease rental income is earned from the lease of residential properties to approved housing bodies for social housing purposes. It is accounted for on a straight line basis over the lease term, in accordance with accounting policy 2.28.

As at 31 December 2013, trading properties have been written down to net realisable value and the amount of the write down of €2.9m is recognised as an expense, in accordance with accounting policy 2.16.

8. (LOSSES) / GAINS ON DERIVATIVE FINANCIAL INSTRUMENTS

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Fair value losses on derivatives acquired from borrowers	-	(90,923)	(90,923)	(54,198)
Fair value gains on other derivatives	(8,203)	38,125	29,922	8,538
Hedge ineffectiveness adjustment	-	6,790	6,790	7,721
Total (losses) / gains on derivative financial instruments	**(8,203)**	**(46,008)**	**(54,211)**	**(37,939)**

Fair value movements on derivatives are driven by market movements that occurred during the year. The fair value of these swaps are impacted by changes in Euribor rates and borrower derivatives performance levels. Further information on derivative financial instruments is provided in Note 19.

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

At the reporting date, NAMA had entered into €23bn of interest rate swaps to hedge its exposure to interest rate risk arising from Euribor floating rates (2012: €18bn).

Some of these interest rate swaps were formally designated into hedge relationships during 2010, when the fair value of these derivatives was (negative) €30.4m. This amount was recognised as a fair value loss on other derivative financial instruments in the income statement in 2010. This fair value loss has been fully amortised as hedge ineffectiveness over the remaining life of the derivatives. A cumulative amount of €30.4m has been recognised as income in the income statement and cash flow hedge reserve. No further hedge ineffectiveness is expected.

There are no derivatives in the Agency.

9. NET PROFIT ON DISPOSAL OF LOANS AND PROPERTY ASSETS; AND SURPLUS INCOME

Group	Note	2013 €'000	2012 €'000
Surplus income on loan repayments (in excess of loan carrying values)	20	530,838	172,374
Net (loss) / profit on disposal of loans	20	(29,386)	15,139
Net profit on disposal of property assets		3,959	714
Total net profit on disposal of loans and property assets; and surplus income		**505,411**	**188,227**

For certain assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans. Of the total amount of €531m recognised, €306m (2012: €108m) was generated from debtors who have fully repaid all NAMA debt and any further cash received is recognised as profit. A further €225m (2012: €64m) of surplus income is recognised on specific loan assets within a debtor connection where the cash generated and received by NAMA has exceeded the loan carrying value; and the estimated discounted cash flows for the total debtor connection are greater than the total loan carrying values. Further information on the recognition of surplus income is included in Note 3, critical accounting estimates and judgements.

During the year, the Group disposed of certain loans and receivables to third parties. Profit or loss on disposal is measured as the difference between proceeds of sale received and the carrying value of those loans and receivables. The Group realised a net loss of €29.4m (2012: profit of €15m) on the disposal of loans in the year. Profit on disposal of loans is not recognised where the overall debtor connection is impaired in accordance with the latest available impairment assessment data.

During the year, the Group sold certain trading property assets to third parties. Profit or loss on disposal is measured as the difference between proceeds of sale received and the carrying value of those property assets. The Group realised a net profit of €4.0m (2012: €0.7m) on the disposal of trading property assets in the year.

There were no disposals of loans or property assets by the Agency.

10. ADMINISTRATION EXPENSES

Group	Note	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Costs reimbursable to NTMA	10.1	3,476	37,292	40,768	36,890
Primary Servicer fees	10.2	2,200	52,587	54,787	56,427
Master servicer fees	10.3	-	3,082	3,082	3,547
IBRC integration costs	10.4	-	7,369	7,369	-
Portfolio management fees	10.5	-	5,549	5,549	6,882
Legal fees	10.6		2,975	2,975	4,634
Due diligence costs	10.7	-	-	-	4,086
Finance, communication and technology costs	10.8	-	3,423	3,423	3,022
Rent and occupancy costs	10.9	-	1,482	1,482	1,375
Internal audit fees	10.10	-	911	911	1,023
Other internal audit services	10.10	-	-	-	288
Board and Committee fees and expenses	10.12	-	599	599	493
External audit remuneration	10.11	20	495	515	450
Total administration expenses		**5,696**	**115,764**	**121,460**	**119,117**

Agency	Note	2013 €'000	2012 €'000
Administration expenses			
Costs reimbursable to NTMA	10.1	40,768	36,890
Board and Committee fees and expenses	10.12	599	493
Rent and occupancy costs	10.9	1,174	1,178
Total administration expenses		**42,541**	**38,561**

Costs reimbursable to the NTMA are recognised as an expense to NAMA. All costs, other than Board and Committee fees and Board expenses incurred by NAMA are reimbursed to it by the NAML Group. Total costs of €41.9m (2012: €38.1m) were reimbursed by the NAML Group to NAMA.

Agency	Note	2013 €'000	2012 €'000
Costs reimbursable by the NAML Group			
Costs reimbursable to NTMA	10.1	40,768	36,890
Rent and occupancy costs	10.9	1,170	1,177
Total costs reimbursable by the NAML Group		**41,938**	**38,067**

10.1 Costs reimbursable to 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.

Costs comprise staff costs of €31.1m (2012: €27.1m) and overheads and shared service costs of €9.6m (2012: €9.8m).

NTMA incurs direct costs such as salaries, rent, IT, office and business services. NAMA has agreed to reimburse the NTMA for their proportionate share of external overhead costs 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 the Group.

Staff costs

The Group has no employees. All personnel are employed by the NTMA and the salary cost of staff who are engaged full time in the NAMA business are recharged to the Group by the NTMA. The number of employees of the NTMA, directly engaged in the Group ('NAMA Officers') at the reporting date was 331 (2012: 224) and the total salary cost including pension costs was €31.1m (2012: €27.1m). In addition the NTMA provide shared services to NAMA including IT, HR and Finance. The cost of NTMA employees (non NAMA Officers) providing these shared services to NAMA during 2013 was €2.5m (2012: €3.1m).

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 are recharged to NAMA.

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

Brendan McDonagh (Chief Executive Officer)	**2013 €**	**2012 €**
Salary	365,500	365,500
Taxable benefits	21,710	22,664
Performance related bonus	-	-
	387,210	**388,164**

The remuneration of the Chief Executive Officer consists of basic salary, taxable benefits and a performance related payment of up to 60 per cent of annual salary. The Chief Executive Officer was entitled to be awarded a performance payment for 2012 and 2013, but in view of the economic challenges facing the country, waived his entitlement to this payment.

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 NTMA Advisory Committee. In giving advice on remuneration, the NTMA Advisory Committee is informed by the views of the NTMA Remuneration Committee. The Chairman of the NAMA Board is a member of the NTMA Remuneration Committee for the purpose of discussion of issues in relation to staff assigned to NAMA.

10.2 Primary Servicer fees

Primary Servicer fees comprise fees paid to each Participating Institution and the Primary Servicer for the servicing of eligible bank assets. The Participating Institutions and Primary Servicer administer the loans and receivables that originated within each Participating Institution. The amounts payable to each Participating Institution are set out in Note 39, related party disclosures. The fees paid and accrued to the Participating Institutions and the Primary Servicer were €45.2m (2012: €56.4m), which equates to an overall fee of 7 basis points (2012: 8 basis points) of the par debt loan balances administered.

Following the liquidation of IBRC in February 2013, the loan portfolio that was managed by IBRC on behalf of NAMA was transferred to Capita as Primary Servicer. Capita continue to manage the portfolio with NAMA oversight. Costs paid to Capita as Primary Servicer in 2013 are €7.4m (2012: €nil).

Primary Servicer fees for NARL of €2.2m comprise fees paid to Certus and the joint Special Liquidators of IBRC for loan servicing set up costs.

10. ADMINISTRATION EXPENSES (CONTINUED)

10.3 Master servicer fees

Master servicer fees comprise fees paid to the master servicer, Capita. Capita provides loan administration and data management services to the Group. Master servicer fees were €3.1m in the year (2012: €3.5m).

10.4 IBRC integration costs

As a result of the IBRC liquidation in February 2013, NAMA incurred total costs of €13m, of which €7.4m was incurred on the existing portfolio and €5.7m related to NARL (included in 10.1 and 10.2). IBRC integration costs comprise fees incurred for the integration of the IBRC portfolio that was expected to be acquired as a result of the special liquidation and also for costs related to the transitioning of the existing €41bn par debt NAMA loans managed by IBRC over to Capita. Costs comprise fees paid to the joint Special Liquidators (€3.9m), Capita project costs and systems integration (€2.7m) and other project costs (€0.8m).

10.5 Portfolio management fees

Portfolio management fees relate to fees incurred in the ongoing management and support of debtors. Costs included are property valuation, asset search and asset registry fees, loan sale costs and insurance costs.

10.6 Legal fees

Legal fees comprise fees paid to professional service firms with respect to legal advice.

10.7 Due diligence costs

Due diligence costs were incurred by the Group on the acquisition of the portfolio of loans from the Participating Institutions. These costs were considered by the Group to be transaction costs and were included in the acquisition cost of the loans and receivables. Due diligence costs incurred totalled €78.2m of which the Group recovered €64.1m from the Participating Institutions through a reduction in the acquisition value of the loans. The balance of €14.1m will not be recovered from the Participating Institutions and was expensed to the income statement in 2012 (€4.1m) and 2011 (€10m).

10.8 Finance, communication and technology costs

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

10.9 Rent and occupancy costs

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

The Agency has leased the third floor of its current office premises for a period of ten years at an annual rent of €1.0m and the first floor of its current offices premises for a period of 12 years and 4 months at an annual rent of €0.15m. Further information on leases is included in Note 33, commitments and contingent liabilities.

The remaining balance relates to occupancy costs.

10.10 Internal audit fees

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

Other internal audit services

In 2012 the Group's internal auditor, Deloitte, carried out certain internal audit services that were additional to the scope of routine internal audit services. No such costs were incurred in 2013.

10.11 External audit remuneration

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Audit of individual accounts	20	495	515	450
Total external audit remuneration	**20**	**495**	**515**	**450**

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

10.12 Board and Committee fees and expenses

	2013 €	2012 €
Frank Daly (Chairman)	150,000	150,000
Oliver Ellingham (appointed 10 April 2013)	41,750	-
Eilish Finan (term ended 21 December 2013)	58,549	60,000
Brian McEnery	60,000	60,000
Steven A. Seelig (term ended 25 May 2013)	24,032	60,000
Willie Soffe	75,000	75,000
Board fees	**409,331**	**405,000**
Board expenses	162,518	60,247
Total Board expenses	**571,849**	**465,247**
Planning Advisory Committee		
Alice Charles	5,000	5,000
Michael Wall	5,000	5,000
Audit Committee		
Jim Kelly	10,000	10,000
Northern Ireland Advisory Committee		
Frank Cushnahan	3,000	4,000
Brian Rowntree	5,000	4,000
Total Committee fees	**28,000**	**28,000**
Total Board and Committee fees and expenses	**599,849**	**493,247**

John Corrigan (NTMA Chief Executive), Brendan McDonagh (NAMA Chief Executive Officer) and John Mulcahy received no remuneration as ex-officio members of the Board. Expenses payable in respect of Board and Committee members are set out below.

10. ADMINISTRATION EXPENSES (CONTINUED)

10.12 Board and Committee fees and expenses (continued)

	Travel Expenses €	Accommodation and Subsistence €	Other[5] €	Total 2013 €	Total 2012 €
Frank Daly (Chairman)	4,691	1,727	-	**6,418**	**2,815**
Oliver Ellingham	**4,110**	**2,206**	-	**6,316**	**-**
Brian McEnery	9,413	1,533	8,365	**19,311**	**4,971**
Steven A. Seelig[6]	45,325	8,648	76,500	**130,473**	**52,461**
	63,539	**14,114**	**84,865**	**162,518**	**60,247**

11. FOREIGN EXCHANGE GAINS AND LOSSES

Group	**Note**	**2013 €'000**	**2012 €'000**
Foreign exchange translation (losses) / gains on loans and receivables	20	(193,043)	216,051
Unrealised foreign exchange gain / (losses) on derivative financial instruments		208,206	(61,708)
Realised foreign exchange losses on currency derivative financial instruments		(104,623)	(255,374)
Foreign exchange gains on cash		172	1,467
Other foreign exchange (losses) / gains		(48)	132
Total foreign exchange (losses) / gains		**(89,336)**	**(99,432)**

Foreign exchange translation gains on loans and receivables arise on the revaluation of foreign currency denominated loans and receivables. Foreign currency translation amounts are recognised in accordance with accounting policy 2.5.

Foreign exchange gains and losses on derivatives arise from market movements that affect the value of foreign currency derivatives at the reporting date. On a cumulative basis since 2010, NAMA has recorded a realised foreign exchange loss on these derivatives of €220m (2012: €115m). This cumulative net cost is akin to an "insurance" cost of protecting NAMA from the impact of foreign exchange rate fluctuations.

Following the transfer of assets from Participating Institutions, the Group entered into currency derivatives to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired. The gain or loss on derivative products comprises realised and unrealised gains and losses. Realised and unrealised gains are recognised in accordance with accounting policy 2.15. Currency derivatives are explained in more detail in Note 19.

5 *Following a clarification by the Revenue Commissioners on the tax treatment of Board Members expenses, NAMA made a payment to Revenue in respect of the years 2010 to 2012.*

6 *Steven Seelig lives in the USA. Expenses relate to travel and accommodation expenses on a cost recovery basis to attend Board and Committee meetings in Dublin. Steven Seelig's term ended on 25 May 2013.*

12. IMPAIRMENT CHARGES ON LOANS AND RECEIVABLES

Group	2013 €'000	2012 €'000
Balance at the beginning of the year	3,263,422	2,751,266
Increase in specific provision	847,227	1,016,647
Release of specific provision	(295,026)	(419,189)
Increase/(release) in collective provision	309,637	(85,302)
Total movement in provision	**861,838**	**512,156**
Balance at the end of the year	**4,125,260**	**3,263,422**
Recognised in the income statement	914,345	517,841
Recognised against loans and receivables	(52,507)	(5,685)
	861,838	**512,156**
Analysed as:		
Specific impairment	3,302,773	2,750,572
Collective impairment	822,487	512,850
	4,125,260	**3,263,422**

The impairment provision for each specifically assessed debtor connection is calculated as the difference between the carrying value of each debtor connection's total loans and the present value of expected future cash flows for the connection. The increase in the specific provision in 2013 reflects principally the deterioration in the expected cash flows for debtor connections where there has been a reduction in the projected disposal value of property collateral to reflect NAMA's current expectations based on external market conditions and available evidence.

For a number of debtor connections there has been an improvement in the expected cash flows resulting principally from an increase in the expected disposal value or accelerated disposal of property collateral, which has resulted in a release in the impairment provision for these debtor connections.

For the purpose of the collective assessment, NAMA has calculated an impairment loss rate using a sample of cash flows which were prepared in respect of the Participating Institutions managed debtors. This rate is then applied to the Participating Institution managed portfolio to determine the level of collective impairment provision required. The revised method has resulted in an increase in the collective impairment provisioning rate from 12.4% to 23.0% and an increase in the collective provision of €310m to a total collective provision of €822m.

Further information on the impairment of loans and receivables is included in Note 3, Critical accounting estimates and judgements, Note 20, Loans and receivables and Note 23, Credit Risk.

13. TAX CREDIT / (CHARGE)

Group	Note	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Current tax					
Irish corporation tax		-	(35)	(35)	(450)
Deferred tax					
On fair value gains and losses on derivatives		2,051	(30,993)	(28,942)	26,424
On unutilised tax losses forward	28	-	(40,825)	(40,825)	(102,240)
Total deferred tax recognised in income statement		**2,051**	**(71,818)**	**(69,767)**	**(75,816)**
Total taxation credit / (charge)		**2,051**	**(71,853)**	**(69,802)**	**(76,266)**

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

Reconciliation of tax on profits

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Profit / (loss) before tax	(8,202)	291,606	283,404	308,219
Tax calculated at a tax rate of 25%	(2,051)	72,902	70,851	77,055
Effect of:				
Non-deductible derivative movements	2,051	(28,141)	(26,090)	24,912
Tax on interest income	-	(31)	(31)	450
Non-deductible expenses	-	141	141	273
Utilised tax losses forward	-	(44,836)	(44,836)	(102,240)
Movement in deferred tax (liability)/asset recognised	(2,051)	30,993	28,942	(26,424)
Movement in deferred tax recognised on tax losses	-	40,825	40,825	102,240
Taxation (credit) / charge	**(2,051)**	**71,853**	**69,802**	**76,266**

The current tax charge of €0.04m (2012: €0.45m) arises on the profits earned by NAMAIL. A total amount of €0.06m (2012: €0.6m) was paid to the Revenue Commissioners in the period which relates to 12.5% of the profits arising in NAMAIL. No other tax charges arose in other NAMA Group entities and the Agency is exempt from Irish income tax, corporation tax and capital gains tax.

The corporation tax rate applicable to the majority of the Group's income is 25%. The corporation tax rate applicable to the majority of the income of subsidiaries is either 12.5% or 25%. The effective corporation tax rate for 2013 was 0% (2012: 0%).

The Group and Agency have no 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.

14. INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

Group	**Note**	**2013 €'000**	**2012 €'000**
Movement in cash flow hedge reserve before tax	36	256,012	(439,821)
Movement in available for sale reserve before tax	36	(4,127)	2,297
Total movement		**251,885**	**(437,524)**
Deferred tax (expense)/benefit	28	(65,134)	107,451
Total income tax relating to components of other comprehensive income		**(65,134)**	**107,451**

The movement in the cash flow hedge reserve represents a temporary difference between the tax base of the derivatives where hedge accounting has been applied and their fair value. The movement in the available for sale reserve represents a temporary difference between the tax base of available for sale financial assets and their fair value. The Group has recognised a deferred tax asset on the temporary difference that arises on the cash flow hedge and available for sale reserve.

15. DIVIDEND PAID

Group	**2013 €'000**	**2012 €'000**
Dividend paid	**2,162**	**3,457**

On 28 March 2013, the Board of NAMAIL declared and approved a dividend payment of €0.0424 per share (2012: €0.06778 per share), amounting to €2.162m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2013. The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

16. CASH AND CASH EQUIVALENTS AND COLLATERAL

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Balances with the Central Bank of Ireland	332,420	1,405,763	1,738,183	2,142,922
Balances with other banks	20	83,793	83,813	62,266
Term deposits	-	31,240	31,240	30,634
Exchequer note investments	-	1,600,000	1,600,000	-
Total cash and cash equivalents	**332,440**	**3,120,796**	**3,453,236**	**2,235,822**
Cash placed as collateral with the NTMA	63,000	739,000	802,000	1,150,000
Total cash, cash equivalents and collateral	**395,440**	**3,859,796**	**4,255,236**	**3,385,822**

Agency	2013 €'000	2012 €'000
Balances with the Central Bank of Ireland	1,152	1,268
Total cash and cash equivalents	**1,152**	**1,268**

Balances with other banks comprise balances held with Citibank, AIB and BNP. Exchequer notes are short term interest bearing notes, with maturities generally less than 30 days, which are held with the NTMA.

In accordance with an agreement entered into between NAMA and the NTMA in 2012, NAMA is required to post cash collateral with the NTMA under a collateral posting agreement (CPA). The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. At 31 December 2013, NAMA's derivative liability exposure was €0.6bn (2012: €1.2bn) as set out in Note 19.

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

In 2011 an amount of $135,515 was placed on deposit in a segregated account. This amount will be held in a segregated account until a legal claim pending in relation to a debtor is settled. On settlement the amount will be refunded to NAMA or retained by a third party, pending the outcome of the legal claim. This amount has not been reported as part of the Group's cash balance and was still held in escrow at the reporting date.

At the reporting date there is an amount of €14.6m held in an escrow account in the Group's name. This amount is in respect of the outcome of due diligence procedures on AIB Tranche 9 loans. On completion of due diligence by AIB part or the entire amount will be either transferred to the Group's bank account or retained by AIB. The balance on this account is assessed on a six monthly basis. The next review date is 1 May 2014. No amounts were settled in 2013.

17. FINANCIAL ASSETS AVAILABLE FOR SALE

Group	2013 €'000	2012 €'000
Short term treasury bonds	145,138	257,932
Total available for sale financial assets	**145,138**	**257,932**

Available for sale financial assets comprise Irish government treasury bonds acquired for liquidity management. The nominal value of available for sale assets at 31 December 2013 was €145m (2012: €255m).

18. AMOUNTS DUE (TO) / FROM PARTICIPATING INSTITUTIONS

NAMA legally acquired overdraft accounts attached to debtor loan accounts in 2010 and 2011. At 31 December 2013 the following amounts were receivable from and payable to the Participating Institutions for cash collected or paid out by the Participating Institutions in relation to NAMA debtors' overdraft accounts. Amounts due are generally only settled by NAMA and the Participating Institutions upon a terminating event such as account closure. Amounts settled may differ to the balances reported at year end. All amounts are classified as current.

Unsettled overdraft positions	Receivable €'000	Payable €'000
Balance at 31 December 2012	78,953	(36,423)
Movement in overdraft accounts during the year	(506)	11,747
Balance as at 31 December 2013	**78,447**	**(24,676)**

19. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the process of acquisition of loans from Participating Institutions, the Group acquired a number of derivatives that were related to underlying loans.

In addition the Group enters into derivative contracts to hedge its exposure to interest rate and 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 and 23.

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 market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities, can fluctuate significantly over time.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (e.g. cross-currency interest rate swaps). The Group's credit risk represents the potential cost of replacing the swap contracts if a counterparty fails to fulfil its obligations under the contract. This risk is monitored on an ongoing basis with reference to the current fair value.

Interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of interest rate risk. The Group is exposed to credit risk on options acquired from Participating Institutions only, and only to the extent that they have a carrying amount.

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Group 31 December 2013	Notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Net €'000
(a) Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers	2,408,710	107,301	-	107,301
Other derivative financial instruments	454,843	13,334	(29,105)	(15,771)
Foreign currency derivatives	5,637,327	18,162	(104,162)	(86,000)
(b) Derivative financial instruments designated in hedge relationships				
Interest rate swaps – NAMA	21,130,000	21,572	(458,314)	(436,742)
– NARL	1,900,000	-	(8,203)	(8,203)
Total derivative assets/(liabilities)	**31,530,880**	**160,369**	**(599,784)**	**(439,415)**

Group 31 December 2012	Notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Net €'000
(a) Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers	4,031,893	321,842	-	321,842
Other derivative financial instruments	1,264,005	17,114	(154,985)	(137,871)
Foreign currency derivatives	6,247,180	11,750	(305,956)	(294,206)
(b) Derivative financial instruments designated in hedge relationships				
Interest rate swaps - NAMA	18,100,000	-	(707,747)	(707,747)
Total derivative assets/(liabilities)	**29,643,078**	**350,706**	**(1,168,688)**	**(817,982)**

Movement recognised in the income statement and other comprehensive income

The table below shows the net fair value position on derivatives at 31 December 2013 and 2012. The movement is recognised either in the income statement on derivatives where hedge accounting is not applied, Note 8, in unrealised foreign exchange losses on derivative financial instruments, Note 11, or in other comprehensive income where hedge accounting is applied, Note 36.

Group	Note	Fair values 2013 €'000	Fair values 2012 €'000	Movement €'000
(a) Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers	8	107,301	321,842	**(214,541)**
Other derivative financial instruments	8	(15,771)	(137,871)	**122,100**
Foreign currency derivatives	11	(86,000)	(294,206)	**208,206**
(b) Derivative financial instruments designated in hedge relationships	36			
Interest rate swaps – NAMA		(436,742)	(707,747)	**271,005**
– NARL		(8,203)	-	**(8,203)**
Net derivative fair value movement		**(439,415)**	**(817,982)**	**378,567**

(a) Derivative financial instruments at fair value through profit or loss

The fair value of derivatives acquired from borrowers (that were associated with loans acquired) at year end was €107m (2012: €322m). The fair value movement recognised in the income statement on these derivatives in the year was a net loss of €90m (2012: €54m) (see Note 8), comprising a loss of €215m and an amount received of €125m in respect of the termination fee on an acquired borrower derivative, which has been recognised as a fair value gain in the income statement.

Other derivative financial instruments relate to the fair value of derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers. These derivatives have not been designated into hedge relationships. The fair value movement recognised in the income statement on these derivatives in the year was a net gain of €30m (2012: €9m)(see Note 8), comprising a gain of €122m less an amount paid of €92m in respect of a termination fee on a borrower derivative hedge, which has been recognised as a fair value loss in the income statement.

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

(b) Derivative financial instruments designated in hedge relationships

At the reporting date, NAMA had entered into €23bn (2012: €18.1bn) of interest rate swaps to hedge its exposure to interest rate risk arising from Euribor floating rates.

At the reporting date, NAMA has issued debt securities of €34.6bn with a floating rate coupon based on Euribor. Financial instruments priced at floating rate, are sensitive to interest rate fluctuations in Euribor rates, which in turn impacts on the amount of interest expense payable on debt securities in issue. These swaps allow NAMA to exchange fixed cash flows for floating cash flows, i.e. it pays fixed interest to the swap counterparties and receives floating interest, which in turn NAMA uses to pay floating interest to the holders of its debt securities in issue.

As market interest rates fluctuate up or down, this impacts on the value of the interest rate swaps. For example if Euribor rates decrease, and the swap is paying fixed cash flows at a rate higher than Euribor, then the value of that derivative declines because it is cheaper to borrow in the open market.

The value of the derivatives will fluctuate over the life of the derivative but these fluctuations are unrealised gains and losses and will ultimately terminate with a nil value. The derivatives are entered into for risk management purposes and under IFRS are allowed to be designated into hedge relationships. Any gains or losses on derivatives in hedge relationships are not immediately recognised through profit or loss as the intention is to reduce volatility in the income statement. Therefore the gains and losses are recognised in other comprehensive income.

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

The Agency held no derivatives at the reporting date.

The table represents a) the periods in which the actual cash flows are expected to occur and b) the period in which the hedged cash flows are expected to impact the income statement, excluding any hedge accounting adjustments that may be applied.

NAMA Group (excluding NARL) 31 December 2013	**0-6 months €'000**	**6 months - 1 year €'000**	**1-5 years €'000**	**More than 5 years €'000**	**2013 Total €'000**
a) Expected to occur	21,596	23,584	336,432	44,632	**426,244**
b) Expected to accrue	22,753	25,961	306,558	30,767	**386,039**

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Derivative financial instruments designated in hedge relationships (continued)

NAMA Group (excluding NARL) 31 December 2012	0-6 months €'000	6 months - 1 year €'000	1-5 years €'000	More than 5 years €'000	2012 Total €'000
a) Expected to occur	38,464	22,060	213,982	-	**274,506**
b) Expected to accrue	27,472	20,758	201,298	-	**249,528**

NARL 31 December 2013	0-6 months €'000	6 months - 1 year €'000	1-5 years €'000	More than 5 years €'000	2013 Total €'000
a) Expected to occur	-	3,554	52,432	-	**55,986**
b) Expected to accrue	2,553	3,998	49,435	-	**55,986**

The cash flows in a) differ from b) by the amount of interest already accrued and not yet paid in the year.

There is no cash flow hedging applied in the Agency.

20. LOANS AND RECEIVABLES

Group	Note	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Loans and receivables carrying value before impairment		11,715,589	23,723,370	35,438,959	26,039,684
Less: provision for impairment charges on loans and receivables	12	-	(4,125,260)	(4,125,260)	(3,263,422)
Total loans and receivables		**11,715,589**	**19,598,110**	**31,313,699**	**22,776,262**

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

With the establishment of NARL, NAMA acquired a loan facility deed and floating charge over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank of Ireland (CBI). As at 31 December 2013, NARL had received repayments of principal and interest of €1.4bn of the loan facility deed. Up to April 2014, NARL had received a further €3.2bn in principal and interest repayments from the joint Special Liquidators, leaving a balance of €8.5bn on the NARL loan facility deed and floating charge.

The following table summarises the movement in loans and receivables since acquisition.

Reconciliation of movement in loans and receivables	Note	2013 €'000	2012 €'000
Loans acquired – opening balance		**26,039,684**	**28,358,655**
New loans issued / acquired			
– *NAMA*		19,424	18,511
– *NARL*		12,928,345	-
Loan movements			
Loan acquisition adjustments			
Valuation adjustments on completion of due diligence	20.2	-	(32,058)
AIB Tranche 9 partial settlement	16	-	(511)
Value to transfer date loan cash settlements	20.3	-	(85,356)
Total loan acquisition adjustments		**-**	**(117,925)**
Receipts from and payments to borrowers			
NAMA			
Non-disposal income	20.4	(792,230)	(1,210,258)
Proceeds from the sale of collateral as security against loans and receivables and other loan repayments	20.5	(3,146,290)	(2,504,320)
Proceeds from the sale of loans		(293,695)	(461,780)
Funds in the course of collection		(51,377)	-
Deferred consideration on sale of loans	20.6	(10,986)	(3,568)
Funds advanced to borrowers		664,952	308,409
NARL			
Repayment of loan facility deed by joint Special Liquidators		(1,225,000)	-
Interest earned on loan facility deed	5	201,291	-
Interest received on loan facility deed		(189,047)	-
Total receipts from and payments to borrowers		**(4,842,382)**	**(3,871,517)**
Other loan movements			
Loan interest income earned	5	1,058,032	1,221,862
Overdraft accounts	20.7	(11,282)	37,975
(Loss)/profit recognised on sale of loans	9	(29,386)	15,139
Surplus income	9	530,838	172,374
Foreign exchange movement on loans and receivables	11	(193,043)	216,051
Other		(61,271)	(11,441)
Total other loan movements		**1,293,888**	**1,651,960**
Total loan movements		**(3,548,494)**	**(2,337,482)**
Loans and receivables pre impairment			
Loans and receivables - NAMA		23,723,370	26,039,684
Loan facility deed - NARL	20.1	11,715,589	-
Total loans and receivables pre impairment		**35,438,959**	**26,039,684**
Impairment of loans and receivables	12	(4,125,260)	(3,263,422)
Net loans and receivables after impairment		**31,313,699**	**22,776,262**

20. LOANS AND RECEIVABLES (CONTINUED)

The net post impairment movement in the loan balance in the year is €8.5bn (2012: €2.8bn). The total cumulative impairment provision at 31 December 2013 is €4.1bn (2012: €3.3bn).

Loan movements occurring in the year are €3.5bn (2012: €2.3bn), which includes €3.5bn (2012: €3bn) of cash receipts from debtors, generated from the sale of loans and properties and non-disposal income of €0.79bn (excluding NARL) (2012: €1.2bn).

Funds advanced to debtors for working and development capital was €0.3bn (2012: €0.3bn). Loan interest income of €1.1bn (2012: €1.2bn) was earned in the year. Further information on certain loan movements are provided below.

20.1 Loan facility deed - NARL

With the establishment of NARL, NAMA acquired a loan facility deed and floating charge over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank of Ireland. As at 31 December 2013, NARL has received €1.4bn of principal and interest repayments from the joint Special Liquidators of the loan facility deed.

20.2 Additional loan adjustments following the completion of due diligence in the year

Any adjustments arising on the completion of due diligence on assets transferred are recognised in the statement of financial position as an adjustment to the carrying value of loans and receivables and through the issuance or cancellation of NAMA senior and subordinated debt securities. All loan acquisition due diligence was completed in 2012. There were no further due diligence adjustments in 2013.

20.3 Value to transfer date loan cash settlements

Net value-to-transfer date loan cash settlements received in 2013 were €nil (2012: €85m). This amount represents net movements that occurred on loans acquired by NAMA in the period between the loan valuation date and acquisition date.

20.4 Non-disposal income

Non-disposal income receipts in 2013 were €0.79bn (2012: €1.2bn). This amount comprises primarily rental income received during the year. Prior period disposal receipts and non-disposal income receipts have been restated to reflect enhanced information available to NAMA on the classification of receipts as disposal or non disposal (2012: €244m, inception to date €368m). This is a classification change only within total cash receipts.

20.5 Proceeds from the sale of collateral as security against loans and receivables

Proceeds from the sale of collateral as security against loans and receivables of €3.2bn (2012: €2.5bn) represents any receipts relating to the disposal of assets or as a reduction in the debt held by NAMA.

20.6 Deferred consideration received on sale of loans

NAMA disposes of certain loan assets to third parties. The contractual sales price includes any deferred consideration where NAMA has contractual right to receive any deferred cash flow in accordance with IAS 32.

20.7 Overdraft accounts

Participating Institutions continue to fund debtor overdraft accounts and collect cash repayments on these accounts on NAMA's behalf. During the year, the net amount due to NAMA in respect of unsettled overdrafts increased by €11m (2012: reduction of €47m). The movement is recognised as an €11m decrease in loans and receivables (2012: increase of €38m).

21. INVENTORIES – TRADING PROPERTIES

Group	2013 €'000	2012 €'000
Trading properties	**38,924**	**6,758**

In 2011 the Group received certain properties as consideration for the settlement of a loan guarantee acquired by the Group. During the current year, the Group acquired property assets located in the US in settlement of a debt owed to NALML. In addition the Group acquired property assets for leasing to approved housing bodies as part of the social housing initiative. The properties are recognised in accordance with accounting policy 2.16.

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 and operational risk.

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. Day-to-day management is carried out by the NAMA Treasury team with transactions executed on NAMA's behalf by the NTMA.

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 EUR-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 and derivatives. The current and expected performance of a loan or derivative 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 ongoing liquidity stress-testing and 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.

Under Section 50 of the Act, NAMA may borrow such sums of money as are required for the performance of its functions under the Act. A short-term Euro Commercial Paper (ECP) programme was established in 2010 and preliminary work was carried out in preparation for the establishment of a Euro Medium-Term Note (MTN) Programme in 2010. However, given the net positive cash flow from NAMA activities, no issuance took place since the program was established in 2010.

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.

22. RISK MANAGEMENT (CONTINUED)

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, the processes in place for monitoring the compliance of the loan service providers with their contractual obligations to NAMA 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. It is also responsible for evaluating Credit and Risk policies for ultimate Board approval and will provide 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 prepared by the Asset Recovery and Asset Management 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 and risk. 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. 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, Participating Institutions and Master Servicer and monitors and reports to the Audit Committee and Board the progress in addressing actions highlighted in audit findings.

Treasury – CFO Division

The Treasury unit has primary responsibility for managing market risk, liquidity and funding risk. Credit risk is dealt with in detail in Note 23.

NTMA Risk unit

The NTMA Risk unit provides market risk support to the Group. 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.

22.1 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 receivables, securities and 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's senior debt securities are denominated in euro, while a significant proportion of the Group's acquired assets are denominated in GBP and US dollars. As a consequence, the Group has made extensive use of foreign currency derivatives to manage the currency profile of its assets and liabilities. Similarly, interest rate swaps are used to manage mismatches in the Group's interest rate profile.

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 Group'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. Market risk support is 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 monthly reporting to the Risk Management Committee with detailed analysis of all significant risk positions and compliance with risk limits. In addition to market risk position limits, stress testing is used to gauge the impact on the Group's position of a range of extreme market scenarios. Scenario based stress tests and long run historic simulations (going back to the 1990s) on current positions are used to assess and manage market risk.

The Risk Management Committee reviews, approves and makes recommendations concerning the market risk profile and limits across the Group. In addition, a Market Risk Management Group, comprising senior managers from the NAMA CFO Division and the NTMA Risk unit meets regularly to review the market risk position and ensure compliance with the decisions of the Board and the Risk Management Committee. The weekly report produced by the NTMA Risk unit includes detailed analysis of all significant risk positions and compliance with risk limits.

22.3 Market risk measurement

22.3.1 Interest rate risk

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. In addition, the Group has issued floating rate securities and has entered into derivative transactions to manage mismatches in its asset and liability profile. The Group employs 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)

Financial instruments are shown at nominal amounts. These tables take account of hedging instruments which have the effect of significantly reducing interest rate sensitivity.

Interest rate risk Group 31 December 2013	0-6 months €'000	Greater than 6 months €'000	Non- interest bearing €'000	Total €'000
Financial assets				
Cash and cash equivalents	3,453,236	-	-	**3,453,236**
Cash placed as collateral with the NTMA	802,000			**802,000**
Financial assets available for sale	145,138	-	-	**145,138**
Loans and receivables	31,313,699	-	-	**31,313,699**
Amounts due from Participating Institutions	-	-	78,447	**78,447**
Investments in equity instruments	-	-	6,373	**6,373**
Other assets	-	-	23,755	**23,755**
Total financial assets exposed to interest rate re-set	**35,714,073**	**-**	**108,575**	**35,822,648**
Liabilities				
Amounts due to Participating Institutions	24,676	-	-	**24,676**
Senior debt securities in issue	34,618,000	-	-	**34,618,000**
Derivative financial instruments				
– NAMA	(12,450,000)	(8,680,000)	-	**(21,130,000)**
– NARL	(1,900,000)	-	-	**(1,900,000)**
Other liabilities	-	-	172,594	**172,594**
Tax payable	-	-	407	**407**
Total financial liabilities exposed to interest rate re-set	**20,292,676**	**(8,680,000)**	**173,001**	**11,785,677**

Interest rate risk Group 31 December 2012	0-6 months €'000	Greater than 6 months €'000	Non- interest bearing €'000	Total €'000
Financial assets				
Cash and cash equivalents	2,235,822	-	-	**2,235,822**
Cash placed as collateral with the NTMA	1,150,000	-	-	**1,150,000**
Financial assets available for sale	257,932	-	-	**257,932**
Loans and receivables	22,776,262	-	-	**22,776,262**
Amounts due from Participating Institutions	-	-	78,953	**78,953**
Other assets	-	-	33,490	**33,490**
Total financial assets exposed to interest rate re-set	**26,420,016**	**-**	**112,443**	**26,532,459**
Liabilities				
Amounts due to Participating Institutions	36,423	-	-	**36,423**
Senior debt securities in issue	25,440,000	-	-	**25,440,000**
Derivative financial instruments	(14,300,000)	(3,800,000)	-	**(18,100,000)**
Other liabilities	-	-	169,557	**169,557**
Tax payable	-	-	1,627	**1,627**
Total financial liabilities exposed to interest rate re-set	**11,176,423**	**(3,800,000)**	**171,184**	**7,547,607**

22. RISK MANAGEMENT (CONTINUED)

22.3 Market risk measurement (continued)

22.3.1 Interest rate risk (continued)

Interest rate risk Agency 2013	0-6 months €'000	Non- interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	1,152	-	**1,152**
Other assets	-	5,961	**5,961**
Total financial assets exposed to interest rate re-set	**1,152**	**5,961**	**7,113**
Liabilities			
Interest bearing loans and borrowings	53,513	-	**53,513**
Other liabilities	-	7,178	**7,178**
Total financial liabilities exposed to interest rate re-set	**53,513**	**7,178**	**60,691**

Interest rate risk Agency 2012	0-6 months €'000	Non- interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	1,268	-	**1,268**
Other assets	-	9,306	**9,306**
Total financial assets exposed to interest rate re-set	**1,268**	**9,306**	**10,574**
Liabilities			
Interest bearing loans and borrowings	53,320	-	**53,320**
Other liabilities	-	10,027	**10,027**
Total financial liabilities exposed to interest rate re-set	**53,320**	**10,027**	**63,347**

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 2013. The figures take account of the effect of hedging instruments, loans and receivables and securities issued.

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

	2013		2012	
NAMA Group (excluding NARL)	**+50bp €'000**	**-50bp €'000**	**+50bp €'000**	**-50bp €'000**
EUR	180,677	(185,447)	201,242	(205,637)
GBP	(1,218)	1,623	(18,177)	19,625
USD	(146)	146	(391)	392
Other	(104)	104	-	-

NARL	2013 +50bp €'000	2013 -50bp €'000	2012 +50bp €'000	2012 -50bp €'000
EUR	37,257	(37,956)	-	-

The interest rate sensitivities are not symmetric due to a number of factors including the shape of the yield curve and the maturity profile of the portfolio.

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 and receivables 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 has entered into hedges to mitigate these risks.

The following table summarises the Group's exposure to foreign currency risk at 31 December 2013. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. These tables take account of hedging instruments which have the effect of significantly reducing currency risk.

Group 2013	**USD €'000**	**GBP €'000**	**Other €'000**	**Total €'000**
Assets				
Cash and cash equivalents	9,288	45,590	2,937	**57,815**
Loans and receivables	138,265	5,655,355	99,422	**5,893,042**
Derivative financial instruments	(145,022)	(5,475,686)	(101,698)	**(5,722,406)**
Total assets exposed to currency risk	**2,531**	**225,259**	**661**	**228,451**

Group 2012	**USD €'000**	**GBP €'000**	**Other €'000**	**Total €'000**
Assets				
Cash and cash equivalents	12,224	53,246	2,181	**67,651**
Loans and receivables	275,850	6,836,515	123,675	**7,236,040**
Derivative financial instruments	(257,914)	(5,848,164)	(111,578)	**(6,217,656)**
Other assets	-	5,657	-	**5,657**
Amounts due from Participating Institutions	-	5,905	-	**5,905**
Total assets exposed to currency risk	**30,160**	**1,053,159**	**14,278**	**1,097,597**
Liabilities				
Amounts due to Participating Institutions	-	(1,459)	-	**(1,459)**
Total liabilities exposed to currency risk	-	**(1,459)**	-	**(1,459)**
Net assets exposed to currency risk	**30,160**	**1,051,700**	**14,278**	**1,096,138**

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

23. CREDIT RISK

Exposure to foreign exchange risk - sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2013 would have 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	2013 €'000	2012 €'000
GBP	(20,484)	(94,691)
USD	(226)	(2,746)
Other	(53)	(1,298)

Credit risk is the risk of incurring financial loss, taking account of collateral pledged as security that would arise from the failure of a debtor or market counterparty of the Group to fulfill its contractual obligations to the Group. NAMA's main credit risk arises from the performance of its debtors, and related assets held as security.

The Group's debtor-related exposures arose in the first place from the acquisition of a substantial portfolio of property related loans, mostly in the commercial and residential property sector in Ireland and the UK, and to a lesser extent in Europe, the USA and the rest of the world. Credit risk also arises in relation to the Group's lending activities, which are undertaken in order to preserve or enhance value with the aim of achieving the maximum financial return for the State subject to acceptable risk. Financial instruments, such as undrawn loan commitments and guarantees, also create credit risk.

Credit risk is the most significant risk to the Group's business. The Group therefore carefully manages its exposure to credit risk. The credit risk arising from the original acquisition of the loan portfolio was mitigated 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. The credit risk arising from the Group's ongoing lending and credit risk management activities is mitigated by the Group's Asset Recovery/Asset Management Policy and Procedures Framework.

NAMA Asset Recovery

The Asset Recovery division, has three primary functions: strategy delivery, management of debtors/receivers and maximising cash flow while minimising loss.

Asset Recovery is the principal interface with debtors/receivers responsible for managing the majority of debtors both directly by NAMA and indirectly through the Participating Institutions/Primary Servicer. This responsibility requires 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 and receiver 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; employing vendor finance and loan sales/portfolio sales, where appropriate; regularly reviewing asset sale versus asset hold options, employing inter alia a discounted cash flow analysis.

Asset Recovery Policy and Procedures Framework

The overall objective of the Asset Recovery Policy and Procedures Framework is to safeguard the Group by protecting and enhancing the value of loans acquired.

Ultimate responsibility for the management of credit risk in the Group rests with the Board. Credit risk management and control is centralised in the Asset Recovery function. 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 are acquired under the provisions of the NAMA Act. Loans acquired from Participating Institutions are grouped together and managed by debtor connection.

Debtors fall into two categories:

NAMA managed debtors: In this category key credit decisions, and relationship management, is undertaken by the Group. Loan administration is carried out by Participating Institutions and the Primary Servicer.

Participating Institution / Primary Servicer managed debtors: In this category debtor management and loan administration is carried out by the Participating Institutions and the Primary Servicer. Credit decisions are taken by Participating Institutions and the Primary Servicer under a Delegated Authority and are subject to a Policy and Procedures Framework mandated by the Group, together with ongoing 'on the ground' involvement from the NAMA Participating Institutions/Primary Servicer Team and oversight by the Group's Audit and Risk function.

The Group is required to make various credit decisions, which may involve; new lending, the restructuring of loans and receivables 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, including:

- An application for credit by a debtor;
- 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;
- An application for finance;
- A proposed debtor strategy;
- A proposed extension of terms for any or all of a debtor's exposures;
- A proposal to initiate insolvency action;
- An action by a third party concerning a common debtor e.g. non participating institution.

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.

23.1 Credit risk measurement

The Group applies the following measures of exposure:

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.
- NAMA debt exposure - the acquisition amount paid by the Group (plus any new money lent by the Group and interest charge added, less cash payments received). The total consideration paid for loans and related derivatives acquired was €31.8bn.

In accordance with Section 10 of the Act, NAMA is required to 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, Participating Institutions or the Primary Servicer. NAMA monitors Par and NAMA debt exposure in parallel and uses them in support of all credit decisions.

Derivative portfolio - credit exposure measurement

In addition to the loans that were acquired by the Group, a number of derivative financial instruments were acquired which were attached to debtors' loans acquired from the Participating Institutions.

At any time, the Group's credit risk exposure is limited to the positive fair value of these derivative instruments (i.e. assets with a positive mark-to-market value). This mark-to-market value is usually only a small fraction of the contract value (or notional value of the outstanding instruments).

23. CREDIT RISK (CONTINUED)

23.2 Credit risk assessment

Credit risk assessment focuses on debtor 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 many cases by personal guarantees.

The Group relies initially on the valuations placed on existing security and recourse attached to loans acquired as part of the acquisition process. However the Group seeks to ensure that an appropriate, up-to-date, valuation of any additional forms of security or recourse are included in any debtor's new credit proposal. Existing security may also be revalued as part of that process.

A key consideration in advancing new money is whether or not the debtor's credit proposal is value enhancing. In advancing new money or undertaking any new credit decision, the Group will seek to obtain additional security or recourse from the debtor where it is necessary to protect its interests.

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

Credit risk policy, as determined by the Group, applies to both NAMA managed, and Participating Institution/ Primary Servicer managed loans. The Group has defined an Asset Recovery/Asset Management Policies and Procedures Framework for the Group and for Participating Institutions and the Primary Servicer. This sets out authority levels for permitted credit decisions and credit limits, as well as credit risk monitoring and reporting to be carried out by the Group, Participating Institutions and the Primary Servicer.

The Asset Recovery/Asset Management Policy and Procedures Framework sets out the permitted decision making and credit limits, for example:

- The approval of Debtor Business Plans and Strategic Credit Reviews;
- The approval of new lending;
- Loan restructuring or renegotiation where no new money is lent;
- Enforcement action being taken by the Group;
- Sales of assets / loans;
- Property and asset management requirements

The level of approval required for each of these credit decisions is determined by reference to the size of the debtor's outstanding balance. Credit decisions are approved by one or more of the following within a cascading level of approved delegated authority:

- Asset Recovery/Asset Management Panel A or Panel B Delegated Authority Policy holders;
- Senior Divisional Manager Asset Recovery/Asset Management;
- Head of (or Deputy Head of) Asset Recovery/ Head of Asset Management;
- CEO and Head of (or Deputy Head of) Asset Recovery;
- Credit Committee;
- Board

All credit decisions relating to Participating Institution managed loans, within Group approved limits, are required to be approved by the Participating Institution Credit Committee and/or Head/Deputy Head/Senior Manager of Credit in the NAMA unit of the Participating Institution. All credit decisions relating to the Primary Servicer managed loans are required to be approved by the relevant delegated authority within the Group.

Oversight of the compliance with the Delegated Authority Policy is performed by the Quality Assurance Team, and by 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 is also required.

(b) Collateral

Loans and advances to debtors are collateralised principally by charges over real estate assets, other assets, liens on cash deposits, and are supplemented in many cases by personal 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 for any working or development capital advanced.

The principal collateral types acceptable for credit risk mitigation of loans and receivables 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.

(c) Derivatives

The security for derivatives acquired is from the collateral acquired with the loan, and is reflected in the loan acquisition price paid. The Group also transacted derivatives with the NTMA to hedge interest rate and foreign currency exposures.

The credit exposure of derivatives acquired, together with potential exposures arising from market movements, is managed as part of the overall debtors exposure management.

With respect to derivatives entered into by the Group, the sole counterparty is the NTMA.

23.4 Maximum exposure to credit risk - before collateral held or other credit enhancements

The table below sets out the maximum exposure to credit risk for financial assets with credit risk (net of impairment) at 31 December 2013, 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.

23. CREDIT RISK (CONTINUED)

23.4 Maximum exposure to credit risk - before collateral held or other credit enhancements (continued)

Group	Note	Maximum exposure 2013 €'000	Maximum exposure 2012 €'000
Cash and cash equivalents		3,453,236	2,235,822
Cash placed as collateral with the NTMA		802,000	1,150,000
Financial assets available for sale		145,138	257,932
Amounts due from Participating Institutions		78,447	78,953
Derivative financial instruments		160,369	350,706
Loans and receivables - NAMA			
Land and development		5,943,029	6,571,379
Investment property		17,780,341	19,468,305
Impairment		(4,125,260)	(3,263,422)
Loans and receivables (net of impairment) – NAMA		19,598,110	22,776,262
Loan facility deed – NARL		11,715,589	-
Other assets		23,755	33,490
Investments in equity instruments		6,373	-
Total assets		**35,983,017**	**26,883,165**
Loan commitments	24.4	765,320	499,300
Total maximum exposure		**36,748,337**	**27,382,465**

Agency	Maximum exposure 2013 €'000	Maximum exposure 2012 €'000
Cash	1,152	1,268
Other assets	5,961	9,306
Total maximum exposure	**7,113**	**10,574**

23.5 Information regarding the credit quality of loans and receivables

(a) Loans and receivables neither past due nor impaired

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. This first dimension ranges from instances where recovery is expected to exceed the NAMA debt to situations where a shortfall on NAMA debt is anticipated and an impairment provision has been marked against the exposure.
- The second dimension (scale A, B, C) rates the level of debtor performance by measuring the achievement of financial and non-financial milestones that have been agreed through the debtor engagement process.

The 9 possible grade outcomes can be summarised into the following categories:-

- Satisfactory: Capacity to meet financial commitments and low likelihood of expected loss.
- Watch: Requires closer monitoring but demonstrates capacity to meet financial commitments.
- Impaired: Exposures require varying degrees of close attention and active portfolio management and loss expectations is a concern.

The distribution of grades for loans and receivables and debtors neither past due nor impaired

	2013 €'000	2012 €'000
Satisfactory (NAMA)	3,216,972	7,135,672
Satisfactory (loan facility deed - NARL)	11,715,589	-
Watch	968,991	787,301
Loans and receivables neither past due nor impaired	**15,901,552**	**7,922,973**

The Participating Institution/Primary Servicer Managed Portfolio is collectively assessed for impairment and is therefore included in the impaired category.

All the assets of the Agency are inter-group assets and are current.

(b) Loans and receivables past due not impaired

The disclosure required by paragraph 37(a) of IFRS 7 regarding the aged analysis of loans and receivables that are 'past due but not impaired' is not being provided. Current ageing analysis is based on the original contractual terms of loans acquired from Participating Institutions, and is not reflective of loan performance compared to loan acquisition value.

All of the Agency's receivables are due from related entities and are current. None are past due or impaired.

(c) Loans and receivables individually assessed for impairment

Loans and associated derivatives which were determined to be impaired as a result of the individual impairment review had a carrying value of €15.8bn (2012: €14.3bn) (see following table).

The Group has availed of the exemption under IFRS 7 not to disclose the fair value of collateral held as security against the loans, as it would be impractical to do so.

Loans and receivables individually assessed for impairment

	2013 €'000	2012 €'000
Gross loans and associated derivatives	19,593,708	22,251,673
Individually impaired loans and associated derivatives	(15,789,439)	(14,328,700)
Loans and associated derivatives not individually impaired	**3,804,269**	**7,922,973**

None of the assets exposed to credit risk in the Agency are individually impaired.

23. CREDIT RISK (CONTINUED)

23.5 Information regarding the credit quality of loans and receivables (continued)

(d) Loans and advances renegotiated

Certain loans are in the course of being renegotiated and restructured through the debtor engagement process.

Restructuring activities may include extended payment arrangements, modification and/or deferral of payments. Restructuring polices are set out in the NAMA Pricing and Restructuring Policy included in the Asset Recovery/Asset Management Policy and Procedures Framework. Each loan is restructured based on the most appropriate strategy to achieve repayment of all outstanding debt obligations, taking into account structures, guarantees, tax issues and sales strategies. The details of each proposed restructuring plan including any deviations from policy are reviewed and approved by the Delegated Authority/Credit Committee and, where relevant, the Board.

The restructuring of debtors in 2013 involved in the majority of cases the restructuring of loans into a reduced number of interest bearing facilities for easier engagement and debtor management. The total carrying value of loans subject to restructure of this nature in 2013 was €1.5bn (2012: €2.0bn).

None of the assets exposed to credit risk of the Agency were renegotiated in the period.

23.6 Geographical sectors

The following table analyses the Group's main credit exposures at their carrying amounts, based on the location of collateral securing loans and receivables.

Geographical sector 31 December 2013 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	ROW €'000	Loan impairment €'000	Total €'000
Loans and receivables					
– NAMA Land and development	4,128,097	1,365,778	449,154	-	**5,943,029**
– Investment property – NAMA	11,715,736	4,588,883	1,475,722	-	**17,780,341**
– Loan facility deed – NARL	11,715,589	-	-	-	**11,715,589**
Impairment of loans and receivables	-	-	-	(4,125,260)	**(4,125,260)**
Total loans and receivables	**27,559,422**	**5,954,661**	**1,924,876**	**(4,125,260)**	**31,313,699**
Cash and cash equivalents	3,453,236	-	-	-	**3,453,236**
Cash placed as collateral with the NTMA	802,000	-	-	-	**802,000**
Financial assets available for sale	145,138	-	-	-	**145,138**
Derivative financial instruments	85,611	72,936	1,822	-	**160,369**
Amounts due from Participating Institutions	78,447	-	-	-	**78,447**
Deferred tax asset	202,387	-	-	-	**202,387**
Inventories – trading properties	38,924	-	-	-	**38,924**
Other assets	23,755	-	-	-	**23,755**
Investments	6,373	-	-	-	**6,373**
Property, plant and equipment	1,071	-	-	-	**1,071**
Total assets	**32,396,364**	**6,027,597**	**1,926,698**	**(4,125,260)**	**36,225,399**

Geographical sector 31 December 2012 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	ROW €'000	Loan impairment €'000	Total €'000
Loans and receivables					
– Land and development	4,160,284	1,919,898	491,197	-	**6,571,379**
– Investment property	12,333,793	5,434,711	1,699,801	-	**19,468,305**
Impairment of loans and receivables	-	-	-	(3,263,422)	**(3,263,422)**
Total loans and receivables	**16,494,077**	**7,354,609**	**2,190,998**	**(3,263,422)**	**22,776,262**
Cash and cash equivalents	2,235,822	-	-	-	**2,235,822**
Cash placed as collateral with the NTMA	1,150,000	-	-	-	**1,150,000**
Financial assets available for sale	257,932	-	-	-	**257,932**
Derivative financial instruments	117,605	226,800	6,301	-	**350,706**
Amounts due from Participating Institutions	78,953	-	-	-	**78,953**
Deferred tax asset	337,288	-	-	-	**337,288**
Inventories – trading properties	6,758	-	-	-	**6,758**
Other assets	33,490	-	-	-	**33,490**
Property, plant and equipment	831	-	-	-	**831**
Total assets	**20,712,756**	**7,581,409**	**2,197,299**	**(3,263,422)**	**27,228,042**

The Agency 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 and monitored by a separate team in NAMA Treasury 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, collateral posting, 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 NTMA Risk unit independently produces liquidity forecasts that are provided monthly 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.

24. LIQUIDITY RISK (CONTINUED)

24.1 Liquidity risk management process (continued)

The key liquidity risk for the Group is the funding of the senior debt securities (securities) issued by NAMA as consideration for 95% of the value of acquired assets. The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Rejection Notice) to physically settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue, notwithstanding that the existing security may have had a shorter maturity).

In May 2011, the Board, on receipt of a direction, issued under Section 14 of the Act, from the Minister, resolved to remove the extendible maturity option from the NAMA senior debt securities (see Note 30).

All of the securities which matured on 1 March 2013 were physically settled by issuing new securities with a maturity of 3 March 2014.

24.2 Non-derivative cash flows

The following table presents the cash flows payable by the Group and the Agency on foot of its 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 2013	**0-6 months €'000**	**6-12 months €'000**	**Total €'000**
Liabilities			
Amounts due to Participating Institutions	24,676	-	24,676
Senior debt securities in issue	34,659,277	-	34,659,277
Other liabilities	44,047	-	44,047
Tax payable	407	-	407
Total liabilities	**34,728,407**	**-**	**34,728,407**
Assets held for managing liquidity risk	**4,400,374**	**-**	**4,400,374**

Non-derivative cash flows Group 31 December 2012	**0-6 months €'000**	**6-12 months €'000**	**Total €'000**
Liabilities			
Amounts due to Participating Institutions	36,423	-	36,423
Senior debt securities in issue	25,485,747	-	25,485,747
Other liabilities	31,696	-	31,696
Tax payable	1,627	-	1,627
Total liabilities	**25,555,493**	**-**	**25,555,493**
Assets held for managing liquidity risk	**3,643,754**	**-**	**3,643,754**

Non-derivative cash flows Agency 31 December 2013	**0-6 months €'000**	**6-12 months €'000**	**Total €'000**
Liabilities			
Interest bearing loans and borrowings	53,513	-	53,513
Other liabilities	7,178	-	7,178
Total liabilities	**60,691**	**-**	**60,691**

Non-derivative cash flows Agency 31 December 2012	0-6 months €'000	6-12 months €'000	Total €'000
Liabilities			
Interest bearing loans and borrowings	53,320	-	53,320
Other liabilities	10,027	-	10,027
Total liabilities	**63,347**	**-**	**63,347**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, collateral, term deposits and financial assets available for sale.

24.3 Derivative cash flows

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include interest rate derivatives:

interest rate swaps,

- forward rate agreements,
- over the counter (OTC) interest rate options,
- other interest rate contracts.

The following table analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group 31 December 2013	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives – where hedge accounting does not apply	8,695	9,096	33,080	11,899	62,770
Interest rate derivatives – where hedge accounting is applied	3,909	(223,167)	(315,341)	10,305	(524,294)
Total	**12,604**	**(214,071)**	**(282,261)**	**22,204**	**(461,524)**

Group 31 December 2012	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives – where hedge accounting does not apply	22,415	50,957	64,855	65,480	203,707
Interest rate derivatives – where hedge accounting is applied	14,630	(243,986)	(569,396)	-	(798,752)
Total	**37,045**	**(193,029)**	**(504,541)**	**65,480**	**(595,045)**

NARL 31 December 2013	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives – where hedge accounting is applied	-	4,187	(12,384)	-	(8,197)
Total	**-**	**4,187**	**(12,384)**	**-**	**(8,197)**

24. LIQUIDITY RISK (CONTINUED)

24.3 Derivative cash flows (continued)

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forwards, currency swaps; and
- Cross currency interest rate swaps.

The following table analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group **31 December 2013**	**0-6 months €'000**	**6 -12 months €'000**	**1-5 years €'000**	**Total €'000**
Foreign exchange derivatives:				
– Outflow	(660,538)	-	-	**(660,538)**
– Inflow	659,407	-	-	**659,407**
Cross-currency interest rate derivatives:				
– Outflow	(786,546)	(505,571)	(3,896,306)	**(5,188,423)**
– Inflow	733,723	497,477	3,812,325	**5,043,525**
Total outflow	**(53,954)**	**(8,094)**	**(83,981)**	**(146,029)**

Group **31 December 2012**	**0-6 months €'000**	**6 -12 months €'000**	**1-5 years €'000**	**Total €'000**
Foreign exchange derivatives:				
– Outflow	(278,839)	-	-	**(278,839)**
– Inflow	286,418	-	-	**286,418**
Cross-currency interest rate derivatives:				
– Outflow	(1,476,882)	(1,274,185)	(3,376,786)	**(6,127,853)**
– Inflow	1,355,716	1,201,691	3,225,750	**5,783,157**
Total outflow	**(113,587)**	**(72,494)**	**(151,036)**	**(337,117)**

24.4 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. This amount includes commitments already in existence at acquisition of the loans and further commitments given since transfer of loan assets to the Group.

Group **31 December 2013**	**No later than 1 year €'000**	**1-5 years €'000**	**Over 5 years €'000**	**Total €'000**
Commitments to lend	262,616	476,611	17,424	756,651
Overdrafts	8,669	-	-	8,669
Total	**271,285**	**476,611**	**17,424**	**765,320**

Group 31 December 2012	No later than 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Commitments to lend	45,927	424,375	13,199	483,501
Overdrafts	12,009	-	-	12,009
Guarantees and letters of credit acquired	3,790	-	-	3,790
Total	**61,726**	**424,375**	**13,199**	**499,300**

The Agency has no loan commitments.

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison of carrying value to fair value

The table below summarises the carrying amounts and fair values of financial assets and liabilities presented on the Group and Agency's statement of financial position.

Group	2013 Carrying value €'000	2013 Fair value €'000	2012 Carrying value €'000	2012 Fair value €'000
Financial assets				
Cash and cash equivalents	3,453,236	3,453,236	2,235,822	2,235,822
Cash placed as collateral with the NTMA	802,000	802,000	1,150,000	1,150,000
Available for sale financial assets	145,138	145,138	257,932	257,932
Amounts due from Participating Institutions	78,447	78,447	78,953	78,953
Derivative financial instruments	160,369	160,369	350,706	350,706
Loans and receivables - NAMA	19,598,110	20,459,016	22,776,262	21,794,746
- NARL	11,715,589	11,715,589	-	-
Other assets	23,755	23,755	33,490	33,490
Investments in equity instruments	6,373	6,373	-	-
Total assets	**35,983,017**	**36,843,923**	**26,883,165**	**25,901,649**
Financial liabilities				
Amounts due to Participating Institutions	24,676	24,676	36,423	36,423
Derivative financial instruments – NAMA	591,581	591,581	1,168,688	1,168,688
– NARL	8,203	8,203	-	-
Senior debt securities in issue	34,618,000	34,579,669	25,440,000	25,389,120
Other liabilities	172,594	172,594	169,557	169,557
Tax payable	407	407	1,627	1,627
Total liabilities	**35,415,461**	**35,377,130**	**26,816,295**	**26,765,415**

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Comparison of carrying value to fair value (continued)

Agency	2013 Carrying value €'000	2013 Fair value €'000	2012 Carrying value €'000	2012 Fair value €'000
Financial assets				
Cash and cash equivalents	1,152	1,152	1,268	1,268
Other assets	5,961	5,961	9,306	9,306
Investment in subsidiaries	49,000	49,000	49,000	49,000
Total assets	**56,113**	**56,113**	**59,574**	**59,574**
Financial liabilities				
Interest bearing loans and borrowings	53,513	53,513	53,320	53,320
Other liabilities	7,178	7,178	10,027	10,027
Total liabilities	**60,691**	**60,691**	**63,347**	**63,347**

Financial assets 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, the methods and assumptions used to calculate the fair value of these assets and liabilities are set out below.

(i) Cash and balances with banks

The fair value of floating rate placements and term deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is equal to their carrying value at the period end as deposits are short term and the effect of discounting is minimal.

(ii) Amounts due from Participating Institutions

The estimated fair value of amounts due from Participating Institutions is equal to their carrying value at the period end as receivables are current and will be settled in cash.

(iii) Loans and receivables

Loans and receivables are shown net of charges for impairment. The fair value of loans and receivables has been estimated using the expected future cash flows in the portfolio. Expected future cash flows for individually significant debtors were reviewed as part of the impairment cash flow assessment at the reporting date. Cash flows between 2014 and 2016 were discounted at a rate of 5.5% and cash flows between 2017 and 2020 were discounted at a higher rate of 10% due to greater uncertainty in predicting cash flows beyond 2016. This estimation is subject to judgement by management in relation to the discount rate used and the timing and amount of future cash flows.

(iv) Debt securities in issue

The aggregate fair values are calculated based on a valuation model using similar quoted instruments and applying a current yield curve appropriate for the remaining term to maturity.

(b) Fair value hierarchy

IFRS 13 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 the Group's market assumptions. The fair value hierarchy comprises:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on recognised exchanges.

- 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 LIBOR yield curve.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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 2013	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivative financial instruments	-	142,207	-	**142,207**
Foreign currency derivatives	-	18,162	-	**18,162**
Available for sale financial assets	-	145,138	-	**145,138**
Investments in equity instruments	-	6,373	-	**6,373**
Total assets	**-**	**311,880**	**-**	**311,880**
Liabilities				
Derivative financial instruments	-	495,622	-	**495,622**
Foreign currency derivatives	-	104,162	-	**104,162**
Total liabilities	**-**	**599,784**	**-**	**599,784**

Group 31 December 2012	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivative financial instruments	-	338,956	-	**338,956**
Foreign currency derivatives	-	11,750	-	**11,750**
Available for sale financial assets	-	257,932	-	**257,932**
Total assets	**-**	**608,638**	**-**	**608,638**
Liabilities				
Derivative financial instruments	-	862,732	-	**862,732**
Foreign currency derivatives	-	305,956	-	**305,956**
Total liabilities	**-**	**1,168,688**	**-**	**1,168,688**

None of the assets and liabilities of the Agency are carried at fair value.

Categories of financial assets and financial liabilities

Financial assets and liabilities are categorised in accordance with IAS 39 as follows;

- Loans and receivables
- Financial assets or liabilities at fair value through profit or loss – held for trading (FVTPL)
- Available for sale financial assets (AFS)
- Financial liabilities measured at amortised cost

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Fair value hierarchy (continued)

Financial assets **Group** **31 December 2013**	**Loans and receivables** **€'000**	**FVTPL** **€'000**	**AFS** **€'000**
Cash and cash equivalents	3,453,236	-	-
Cash placed as collateral with the NTMA	802,000	-	-
Financial assets available for sale	-	-	145,138
Amounts due from Participating Institutions	78,447	-	-
Derivative financial instruments	-	160,369	-
Loans and receivables	31,313,699	-	-
Investments in equity instruments	-	6,373	-
Other assets	23,755	-	-

Financial liabilities **Group** **31 December 2013**	**Financial liabilities measured at amortised cost** **€'000**	**FVTPL** **€'000**
Amounts due to Participating Institutions	24,676	-
Derivative financial instruments	-	599,784
Senior debt securities in issue	34,618,000	-
Other liabilities	172,594	-

No held to maturity investments were held by the Group at the reporting date.

26. PROPERTY, PLANT AND EQUIPMENT

Group and Agency	**2013** **€'000**	**2012** **€'000**
Cost		
Balance at 1 January	1,023	1,006
Additions	380	17
Balance at 31 December	**1,403**	**1,023**
Depreciation		
Accumulated depreciation at 1 January	(192)	(100)
Depreciation charge for the year	(140)	(92)
Balance at 31 December	**(332)**	**(192)**
Net book value at 31 December	**1,071**	**831**

Property, plant and equipment includes lease fit out costs incurred to date. Capitalised lease fit out costs are depreciated on a straight line basis at a rate of 10% per annum in accordance with accounting policy 2.20. A full year's depreciation is charged in the year the lease fit out costs are incurred and capitalised.

27. INVESTMENTS IN EQUITY INSTRUMENTS

Group	2013 €'000	2012 €'000
Financial assets at fair value through profit or loss	**6,373**	-

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

- a 20% interest in a partnership of €1.2m, held by NAJVAL. The interest was acquired by the Group as part of the consideration for the sale of certain loans. The Group is not able to exercise significant influence over the partnership, as the other 80% interest is held by one shareholder who controls the decision making of the partnership.
- Units in a qualifying investment fund ("QIF"), valued at €5.13m. The units were acquired by the Group as consideration for the sale of certain property assets by NAMA to the fund.

28. 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 on derivatives		Deferred tax on tax losses	Total
Group	**Assets €'000**	**Liabilities €'000**	**€'000**	**€'000**
Balance at 1 January 2012	182,182	(112,162)	235,633	**305,653**
Movement in the year	109,990	23,885	(102,240)	**31,635**
Balance at 31 December 2012	**292,172**	**(88,277)**	**133,393**	**337,288**
Balance at 1 January 2013	292,172	(88,277)	133,393	**337,288**
Movement in the year	(147,619)	53,543	(40,825)	**(134,901)**
Balance at 31 December 2013	**144,553**	**(34,734)**	**92,568**	**202,387**

28. DEFERRED TAX (CONTINUED)

Reconciliation of movement in total deferred tax to tax credit/(charge) in the income statement and other comprehensive income

	Note	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Movement in deferred tax recognised in the income statement	13	2,051	(71,818)	(69,767)	(75,816)
Movement in deferred tax recognised in other comprehensive income	36	-	(65,134)	(65,134)	107,451
Total movement in deferred tax in the year		**2,051**	**(136,952)**	**(134,901)**	**31,635**

The Agency has no deferred tax assets or liabilities.

Deferred income tax assets are recognised in respect of tax losses carried forward only to the extent that realisation of the related tax benefit is probable. A deferred income tax asset of €93m (2012: €133m) in respect of unutilised tax losses has been recognised in these financial statements. Based on the current year results, NAMA believes that future taxable profits will be available to offset any deferred tax asset recognised.

Deferred tax on derivatives is recognised on the difference between the tax base of derivatives (nil) and the fair value of derivatives at the reporting date. A net deferred tax asset of €110m (2012: €204m) has been recognised in relation to derivatives. In accordance with accounting standards, deferred tax on the fair value movement on derivatives is recognised where the related fair value is accounted for, i.e. either in the income statement or in other comprehensive income. A deferred tax charge of €65m (2012: benefit of €107m) has been recognised in other comprehensive income relating to deferred tax on the fair value movement on derivatives where hedge accounting is applied and available for sale assets (see Note 36).

29. OTHER ASSETS

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Accrued swap interest receivable	-	6,587	6,587	14,211
Interest receivable on available for sale assets	-	5,578	5,578	9,012
Interest receivable on cash and cash equivalents	6	309	315	160
VAT receivable	-	299	299	668
Deferred consideration receivable from loan sales	-	10,148	10,148	9,223
Other assets	-	828	828	216
Total other assets	**6**	**23,749**	**23,755**	**33,490**
Current	**6**	**23,749**	**23,755**	**33,490**
Non-Current	**-**	**-**	**-**	**-**

Accrued swap interest relates to derivatives associated with loans acquired by the Group from Participating Institutions.

Agency	2013 €'000	2012 €'000
Costs reimbursable from NALM	5,468	9,306
Other receivables	493	-
Total other assets	**5,961**	**9,306**
Current	**5,961**	**9,306**
Non-Current	**-**	**-**

30. SENIOR DEBT SECURITIES IN ISSUE

Group	2013 €'000	2012 €'000
In issue at the start of the year	25,440,000	29,106,000
Issued in the year	12,928,000	11,000
Redeemed during the year	(3,750,000)	(3,500,000)
Cancelled in the year	-	(177,000)
In issue at 31 December	**34,618,000**	**25,440,000**
Current	**34,618,000**	**25,440,000**
Non-current	**-**	**-**

Terms of notes issued for the acquisition of loans by NALML

The total debt securities outstanding at 31 December 2013 issued in respect of the original acquisition of loans by NALML is €22.7bn (2012: €25.4bn). The debt securities are all government guaranteed Floating Rate Notes, which were issued by NAML and transferred to NAMGSL under a profit participating loan facility and by it to NALML. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

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

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

All of the securities which matured on 3 March 2014 were physically settled by issuing new securities with a maturity of 2 March 2015.

30. SENIOR DEBT SECURITIES IN ISSUE (CONTINUED)

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

On 28 March 2013, NAML issued government guaranteed senior debt securities to the value of €12.928bn as consideration for the acquisition by NARL of a loan facility deed and floating charge over certain assets of IBRC as part of its funding arrangements with the Central Bank of Ireland (CBI). The debt securities issued in respect of the acquisition of the loan facility deed and floating charge are all government guaranteed senior unsecured floating rate notes, which were issued at par and transferred to NARL under a profit participating loan arrangement, which were used as consideration for the loan facility deed and floating charge acquired from the CBI. The balance in issue as at 31 December 2013 was €11.928bn (2012: €nil).

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

Senior debt securities were issued on 28 March 2013 and matured on 20 February 2014. The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Rejection Notice) to physically settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue notwithstanding that the existing security may have had a shorter maturity). All of the securities which matured on 20 February 2014 were physically settled by issuing new securities with a maturity of 20 February 2015.

31. OTHER LIABILITIES

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Intergroup payable/(receivable)	12,105,338	(12,105,338)	-	-
Accrued interest on debt securities in issue	-	41,277	41,277	45,747
Accrued swap interest payable on derivatives where hedge accounting is applied	-	82,786	82,786	83,298
Accrued swap interest payable on other derivatives	-	4,484	4,484	8,816
Accrued expenses	5,696	35,361	41,057	31,275
Other liabilities	-	2,990	2,990	421
Total other liabilities	**12,111,034**	**(11,938,440)**	**172,594**	**169,557**
Current	**12,111,034**	**(11,938,440)**	**172,594**	**169,557**
Non-current	**-**	**-**	**-**	**-**

Agency	2013 €'000	2012 €'000
Amounts due to NTMA	5,281	8,726
Amounts due to Group entities	1,414	880
Other liabilities	483	421
Total other liabilities	**7,178**	**10,027**
Current	**7,178**	**10,027**
Non-current	**-**	**-**

32. TAX PAYABLE

Group	2013 €'000	2012 €'000
Professional services withholding tax and other taxes payable	398	1,588
Current income tax liability	9	39
Total tax payable	**407**	**1,627**

33. COMMITMENTS AND CONTINGENT LIABILITIES

The table below gives the contractual amounts of contingent liabilities. The maximum exposure to credit loss under contingent liabilities is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

Group	2013 Contractual amount €'000	2012 Contractual amount €'000
Contingent Liabilities		
Guarantees and letters of credit	-	**3,790**

As part of the acquisition of loan assets, certain guarantees and letters of credit, previously provided by Participating Institutions, were acquired by the Group. The guarantees were acquired because they were connected to loan assets acquired by the Group. It is the general policy of the Group not to acquire guarantees.

As at year end, 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, however, the Group does not believe that any such litigation will have a material effect on its income statement or statement of financial position. Cases are monitored on an on-going basis. No legal provisions are recognised by the Group at the reporting date.

The Group holds an operating lease in respect of the third floor and part of the first floor of its registered office, Treasury Building. At the reporting date the length of the lease until the first break clause is 2 years for the third floor and 4.5 years for the first floor.

Operating lease amounts expensed for the year were €1.2m (2012: €1.1m).

The future minimum lease payments are set out in the following tables:

Group 31 December 2013	Less than 1 year €'000	1 -5 years €'000	More than 5 years €'000	Total €'000
Operating leases	**1,154**	**1,356**	-	**2,510**

Group 31 December 2012	Less than 1 year €'000	1 -5 years €'000	More than 5 years €'000	Total €'000
Operating leases	**997**	**1,806**	-	**2,803**

34. INTEREST BEARING LOANS AND BORROWINGS

Agency	2013 €'000	2012 €'000
Loan due to NALML and related interest	53,513	53,320
	53,513	**53,320**

On 25 February 2011, NALML, 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 is extended annually on 25 February unless terminated as agreed between the parties. The Group has no external loans or borrowings.

35. OTHER EQUITY

Group	2013 €'000	2012 €'000
In issue at the beginning of the year	1,593,000	1,601,000
Issued in the year	-	1,000
Cancelled in the year	-	(9,000)
In issue at 31 December	**1,593,000**	**1,593,000**

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

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

Although the bonds are perpetual in nature, the issuer may "call" (i.e. redeem) the bonds on the first call date (which is 10 years from the date of issuance), and every interest payment date thereafter (regardless of whether interest is to be paid or not).

Under IAS 32, 'Financial Instruments: Presentation', it is the substance of the contractual arrangement of a financial instrument, rather than its legal form, that governs its classification. As the subordinated notes contain no contractual obligation to make any payments (either interest or principal) should the Group not wish to make any payments, in accordance with IAS 32 the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments.

36. OTHER RESERVES

Group	2013 €'000	2012 €'000
Cash flow hedge reserve		
At the beginning of the year	(524,019)	(192,223)
Changes in clean fair value	256,012	(439,821)
Hedge interest settled during year	231,076	51,741
Movement in interest accrual	514	64,338
Transferred to income statement	(231,590)	(116,079)
Net movement in cash flow hedge reserve before tax	256,012	(439,821)
Deferred tax recognised in other comprehensive income	(65,701)	108,025
At 31 December	**(333,708)**	**(524,019)**
Available for sale reserve		
At the beginning of the year	1,805	82
Net changes in fair value	(4,127)	2,297
Net movement in available for sale reserve before tax	(4,127)	2,297
Deferred tax recognised in other comprehensive income	567	(574)
At 31 December	**(1,755)**	**1,805**
Total other reserves	**(335,463)**	**(522,214)**

Other reserves comprise the cash flow hedge reserve and the available for sale reserve.

NAMA applies hedge accounting to a portion of its senior debt securities in issue. Changes in fair value for derivatives designated, and that are effective in hedge relationships, are recognised in reserves.

NAMA acquires government bonds for the purposes of liquidity management and to maximise its return on cash balances. Government bonds are classified as available for sale assets in accordance with IAS 39. Changes in fair value are recognised in reserves.

The net movement in the cash flow hedge reserve for 2013 was an increase of €256m (2012: decrease of €439.8m) before tax which was the fair value movement in derivatives where hedge accounting is applied of €249.2m (2012: €432.1m) plus an adjustment relating to hedge ineffectiveness of €6.8m (2012: €7.7m). The net movement in the available for sale reserve for the year was a decrease of €4.1m (2012: increase of €2.3m) which reflects the fair value movement in available for sale investments held at the reporting date.

37. RECONCILIATION OF RESERVES AND NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Group	NARL €'000	NAMA Group (excluding NARL) €'000	2013 NAMA Group €'000	2012 NAMA Group €'000
Retained earnings/(losses)				
At the beginning of the year	-	(659,039)	(659,039)	(887,535)
Profit for the year	(6,151)	217,591	211,440	228,496
At 31 December	**(6,151)**	**(441,448)**	**(447,599)**	**(659,039)**

Agency	2013 €'000	2012 €'000
Retained earnings/(losses)		
At the beginning of the year	(2,942)	(1,850)
Loss for the year	(565)	(1,092)
At 31 December	**(3,507)**	**(2,942)**

Non-controlling interests in subsidiaries comprises ordinary share capital in subsidiaries not attributable directly or indirectly to the parent entity. In respect of the Group this represents the investment by private investors in the ordinary share capital of NAMAIL.

NAMA has, along with the private investors, invested in NAMAIL. NAMA holds 49% of the issued share capital of NAMAIL and the remaining 51% of the share capital is held by private investors.

Under the terms of the shareholders' agreement between NAMA and the private investors, NAMA can exercise a veto over decisions taken by NAMAIL.

Under the shareholder's agreement, the maximum return which will be paid to the private investors by way of dividend is restricted to the 10 year Irish Government Bond Yield applying at the date of the declaration of the dividend. In addition the maximum investment return to the private investors is capped under the Articles of Association of NAMAIL.

NAMA's ability to veto decisions taken by NAMAIL restricts the ability of the private investors to control the financial and operating policies of the Group, and as a result NAMA has effective control over NAMAIL and the subsidiaries in the Group, as well as substantially all the economic benefits and risks of the Group. While the private investors are subject to the risk that NAMAIL may incur losses and the full value of their investment may not be recovered, they are not required to contribute any further capital to NAMAIL.

By virtue of the control NAMA can exercise over NAMAIL, NAMA has consolidated NAMAIL and its subsidiaries, and for the purposes of recognising the non-controlling interests in the subsidiaries, the losses have been attributed to the non-controlling interest only up to its equity interest of €51 million.

38. SHARES AND INVESTMENTS IN GROUP UNDERTAKINGS

NAMA has invested €49m in NAMAIL, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAIL 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 may exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company. By virtue of this control NAMA has consolidated NAMAIL and its subsidiaries and the 51% external investment in NAMAIL is reported as a non-controlling interest in these financial statements.

38.1 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 Limited	49%	100%	Holding company and lending	Ireland
National Asset Resolution Limited	49%	100%	Securitisation and asset management	Ireland
National Asset Management Limited	49%	100%	Debt issuance	Ireland
National Asset Management Group Services Limited	49%	100%	Holding company, securitisation and asset management	Ireland
National Asset Loan Management Limited	49%	100%	Securitisation and asset management	Ireland
National Asset Property Management Limited	49%	100%	Real estate	Ireland
National Asset Management Services Limited	49%	100%	Holding company for shareholding in a general partnership	Ireland
National Asset JV A Limited	49%	100%	Investment in a partnership as a limited partner	Ireland
National Asset Residential Property Services Limited	49%	100%	Provision of residential properties for the purposes of social housing	Ireland
National Asset Sarasota Limited Liability Company	49%	100%	Acquisition of certain property assets located in the US in settlement of debt owed to NAMA	US
National Asset Leisure Holdings Limited	49%	100%	Non-trading	Ireland

38.2 Investment in subsidiaries

Agency	2013 €'000	2012 €'000
49,000,000 shares in NAMAIL	**49,000**	**49,000**

In 2010 the Agency made an investment of €49m in NAMAIL.

All subsidiaries have their registered offices in Treasury Building, Grand Canal Street, Dublin 2.

38.3 Details of non-wholly owned subsidiaries where NAMA has a material non-controlling interest

The remaining 51% of the subsidiaries listed in 38.1 is owned by the private investors, by virtue of their 51% ownership in NAMAIL. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA may exercise a veto over decisions taken by NAMAIL, therefore the private investors have no voting rights.

38. SHARES AND INVESTMENTS IN GROUP UNDERTAKINGS (CONTINUED)

38.3 Details of non-wholly owned subsidiaries where NAMA has a material non-controlling interest (continued)

A dividend was paid to the private investors during the year of €2.1m (2012: €3.5m). The private investors have no further interest in the group activities or cashflows. Profit of €nil was allocated to the non controlling interest during the year (2012: €nil). Accumulated non controlling interest at the end of the reporting period was €nil (2012: €nil).

Profits which may arise may be allocated to the non controlling interest in accordance with accounting policy 2.25. Losses arising in any period are allocated to the non-controlling interest only up to the value of the non-controlling interest in the Group, as NAMA takes substantially all the economic benefits and risks of the Group.

39. 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 38.1 and Note 1 to the financial statements.

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) and the Agency is reimbursed by the Group. Details of the costs charged to the Group are given in Note 10. The NTMA is the counterparty for NAMA's derivative positions in its management of foreign exchange and interest rate exposure. NAMA and NARL are required to post cash collateral with the NTMA under a Collateral Posting Agreement (CPA) to reduce the NTMA's exposure to NAMA and NARL derivatives. NAMA holds Exchequer note investments and Short Term Treasury Bonds that were issued by the NTMA. At the reporting date, NAMA held €145m (2012: €255m) nominal of the Irish 4% Government bonds maturing on 15 January 2014. Exchequer notes of €1.6bn (2012: €nil) issued by the NTMA are treated as cash and cash equivalents (see Note 16).

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 these 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 €2.8m (2012: €2.4m), representing the refund of the NTMA's contribution to the pension scheme in respect of these NAMA Officers.

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 have 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 have been 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 AIB 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 20, Loans and Receivables, Note 18, Amounts due to and from Participating Institutions and the related Income Statement notes.

The Group has operating accounts with AIB p.l.c. that have a balance of €1.7m (2012: €0.3m) at the reporting date. The average closing daily balance throughout the year was €2.5m (2012: €0.4m).

During the year the Group placed deposits with AIB p.l.c. (incorporating EBS) and Bank of Ireland. The average amount deposited with each bank was €51m (2012: €51m) and €61m (2012: €47m) respectively. At the reporting date there was a €31m deposit with AIB p.l.c. for two days.

Fees payable to the Participating Institutions with respect to loan servicing costs incurred during the year are as follows:

Participating Institutions	**2013 €'000**	**2012 €'000**
AIB, p.l.c.	16,364	16,810
Bank of Ireland	5,379	6,952
IBRC (in liquidation)	23,427	32,665
	45,170	**56,427**

New Ireland Assurance Co p.l.c. and Percy Nominees Ltd., a nominee of Prescient Investment Managers (formerly AIBIM)

New Ireland Assurance Co p.l.c, a subsidiary of BOI and Percy Nominees Ltd, a subsidiary of AIB each holds a 17% share of the share capital of NAMAIL, a subsidiary of NAMA (corresponding to 34 million of the 51 million B shares issued by NAMAIL to private investors). Dividend payments made to private investors are disclosed in Note 15.

The Irish Life Group (subsidiary of Permanent TSB Group Holdings plc, formerly Irish Life and Permanent plc (IL&P))

The Credit Institutions (Stabilisation) Act 2010 was passed into Irish law on 21 December 2010. The Act provides the legislative basis for the reorganisation and restructuring of the Irish banking system agreed in the joint EU/IMF/EC programme of support for Ireland. The Act applies to banks, building societies and credit unions who have received financial support from the State. The Act provides broad powers to the Minister for Finance.

To complete the recapitalisation of IL&P, IL&P was fully acquired by the Minister on 29 June 2012. As part of the reorganisation and restructuring of the Irish banking system, NAMA senior debt securities in issue and held by IBRC were transferred to Irish Life Assurance plc. Irish Life Assurance plc was a covered institution for the purposes of the Credit Institutions (Financial Support) Scheme 2008 and was also a covered institution under the Credit Institutions (Eligible Liabilities Guarantee Scheme) . On 18 July 2013, the Minister sold the Government's holding in the Irish Life Group to a third party, Great-West Lifeco of Canada for €1.3 billion. Given the Minister is a related party of the Group and given and that he is deemed to have control over the Life Group from 29 June 2012 until the 17 July 2013, the Irish Life Group is deemed to be a related party of the Group.

39. RELATED PARTY DISCLOSURES (CONTINUED)

IBRC joint Special Liquidators

On 6 February 2013, the Irish Government enacted the Irish Bank Resolution Corporation (IBRC) Act 2013 which provided for the winding up of IBRC. On 7 February 2013, the Minister appointed Kieran Wallace and Eamonn Richardson of KPMG as joint Special Liquidators of IBRC and provided them with a set of instructions to give effect to the orderly winding up of IBRC. Section 13 of the Act provides that the Minister may give directions in writing to NAMA in relation to:

(i) the acquisition by NAMA of the debt of IBRC to the Central Bank;

(ii) the purchase of assets of IBRC from the joint Special Liquidators; and

(iii) the provision of such credit facilities to the joint Special Liquidators or IBRC.

The joint Special Liquidators provided primary servicer services until NAMAs appointment of Capita as its primary servicer of the IBRC Participating Institution book on 12 August 2013. In response to the Ministers directions, NAMA established a new NAMA group entity, National Asset Resolution Limited (NARL), which was incorporated on 11 February 2013. On 28 March 2013, NAML issued bonds to the value of €12.928bn as consideration for the acquisition by NARL of a loan facility deed and floating charge over the assets of IBRC from the Central Bank of Ireland. This was recharged to NARL by a Profit Participating Loan agreement.

On 11 February 2013, the Agency entered into a loan facility with a maximum drawdown of €1bn with the joint Special Liquidators and the NTMA. The facility was to provide the joint Special Liquidators with working capital and cash collateral to post to derivative counterparties of IBRC. During the year the maximum balance on the loan facility reached €192m. The outstanding balance at 31 December 2013 was nil. Interest earned by NAMA on the working capital facility was €0.9m.

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 10. The Group has no employees.

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.

Loan due to NALML

An interest bearing loan of €52m was advanced from NALML to the Agency. Interest is earned on this loan at the six month EURIBOR rate. Interest earned on this loan for the year was €0.2m (2012: €0.6m).

An interest bearing loan of €1bn was advanced during 2013 from NALML to the Agency to fund the loan to the IBRC joint Special Liquidators. Interest is charged on this loan at the one month EURIBOR rate plus a margin of 100 basis points. Interest on this loan for the year was €0.6m (2012: €nil). The outstanding principal balance was €nil at the reporting date.

Intergroup loan agreements

NAML has entered into a profit participating loan agreement with NAMGSL, and in turn NAMGSL has entered into a further profit participating loan agreement with NALML on similar terms.

During 2013, NAMGSL entered into a profit participating loan agreement with NAJVAL and NAML entered into a profit participating loan agreement with NARL.

NALML has entered into intergroup loan agreements with NARPSL,NAPML and NASLLC.

Refer to Note 40 for balances outstanding in respect of intergroup loan agreements at the reporting date.

NTMA recharge

The NTMA incurs overhead costs for providing staff, finance, technology risk and human resource services to the Group. These overhead costs are charged to NAMA (the Agency) on an actual cost basis. The total of these costs for the year was €40.8m (2012: €36.9m). Further details in respect of these costs are disclosed in Note 10.1.

40. 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.

40.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity

The administration fees incurred by NAMA are set out in Note 10.

The expenses of each NAMA Group entity are shown in the tables below. The expenses of NALML includes a recharge of €40.8m (2012: €36.9m) in respect of NTMA costs incurred by the Agency. These costs are also included in the consolidated accounts.

National Asset Loan Management Limited (NALML) **Expense type**	**Note**	**2013** **€'000**	**2012** **€'000**
Costs reimbursable to NTMA	10.1	40,768	36,890
Primary servicer fees	10.2	52,587	56,427
Master servicer fees	10.3	3,082	3,547
IBRC integration costs	10.4	7,369	-
Portfolio management fees	10.5	5,256	6,712
Legal fees	10.6	2,772	4,609
Due diligence costs	10.7	-	4,086
Finance, communication and technology costs	10.8	3,376	2,985
Rent and occupancy costs	10.9	1,482	1,375
Internal audit fees	10.10	911	1,023
External audit remuneration	10.11	495	450
Other internal audit services	10.10	-	288
Total NALML administration expenses		**118,098**	**118,392**

40. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

40.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity (continued)

National Asset Property Management Limited (NAPML) **Expense type**	**2013** **€'000**	**2012** **€'000**
Costs reimbursable to NALM	86	-
Portfolio management fees	47	19
Legal fees	1	24
Finance, communication and technology costs	21	-
Total NAPML administration expenses	**155**	**43**

National Asset Sarasota LLC (NASLLC) **Expense type**	**2013** **€'000**	**2012** **€'000**
Portfolio management fees	61	-
Legal fees	10	-
Total NASLLC administration expenses	**71**	**-**

National Asset Residential Property Services Limited (NARPSL) **Expense type**	**2013** **€'000**	**2012** **€'000**
Portfolio management fees	185	127
Legal fees	192	25
Finance, communication and technology costs	22	37
Total NARPSL administration expenses	**399**	**189**

National Asset Resolution Limited (NARL) **Expense type**	**2013** **€'000**	**2012** **€'000**
Costs reimbursable to NALM	3,476	-
Primary servicer fees	2,200	-
External audit remuneration	20	-
Total NARL administration expenses	**5,696**	**-**

40.2 Debt securities issued for the purposes of the Act

	2013 **€'000**	**2012** **€'000**
Senior notes issued by NAML	34,618,000	25,440,000
Subordinated debt issued by NAML	1,593,000	1,593,000
Total	**36,211,000**	**27,033,000**

40.3 Debt securities issued, transferred and redeemed in the period to the Financial Institutions

Financial Institution	Outstanding at 1 Jan 13 € '000	Issued € '000	Transferred € '000	Redeemed € '000	Cancelled € '000	Outstanding at 31 Dec 13 € '000
AIB[7]	17,876,000	-	285,000	(1,890,000)	-	16,271,000
BOI	4,756,000	-	-	(484,000)	-	4,272,000
IBRC/SL[7,8]	1,637,000	-	(796,000)	-	-	841,000
EBS	332,000	-	(285,000)	(27,000)	-	20,000
IL&P[7]	2,432,000	-	-	(263,000)	-	2,169,000
CBI[8]	-	12,928,000	796,000	(1,086,000)	-	12,638,000
Total	**27,033,000**	**12,928,000**	**-**	**(3,750,000)**	**-**	**36,211,000**

Financial Institution	Outstanding at 1 Jan 12 € '000	Issued € '000	Transferred € '000	Redeemed € '000	Cancelled € '000	Outstanding at 31 Dec 12 € '000
AIB[7]	20,414,000	-	-	(2,395,000)	(143,000)	17,876,000
BOI	5,359,000	12,000	-	(615,000)	-	4,756,000
IBRC[7]	1,793,000	-	-	(113,000)	(43,000)	1,637,000
EBS	375,000	-	-	(43,000)	-	332,000
IL&P[7]	2,766,000	-	-	(334,000)	-	2,432,000
Total	**30,707,000**	**12,000**	**-**	**(3,500,000)**	**(186,000)**	**27,033,000**

40.4 Advances to NAMA from the Central Fund in the year

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

40.5 Advances made by NAMA to debtors via Participating Institutions in the year

Participating Institution	Amount advanced 2013 €'000	Amount advanced 2012 €'000
AIB	96,906	94,924
IBRC / Capita	184,433	163,233
BOI	46,875	29,414
EBS	-	588
Vendor finance	336,737	20,250
Loan acquisition	7,320	-
Total	**672,271**	**308,409**

7 *On 1 July 2011, the High Court approved a Transfer Order under Part 5 of the Credit Institutions Stabilisations Act 2010 (CISA) that the assets and liabilities of INBS be transferred to Anglo Irish Bank. The transfer order extinguished INBS. On 14 October 2011 the name was changed to IBRC. As part of the reorganisation and restructuring of the Irish banking system, €285m of NAMA senior debt securities in issue and held by EBS were transferred AIB in 2013.*

8 *On 28 March 2013, €12.928bn of senior bonds were issued by NAML to the CBI in consideration for NARL's acquisition of the loan facility deed floating charge over IBRC's assets from the CBI, following the liquidation of IBRC on 6 February 2013. In addition, €796m of senior bonds held by IBRC at the date of liquidation were transferred to CBI.*

40. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

40.6 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.

National Asset Management Agency (NAMA)	2013 €'000	2012 €'000
Investment in NAMAIL	49,000	49,000
Cash	1,152	1,268
Other receivables	5,961	9,306
Property, plant and equipment	1,071	831
Total	**57,184**	**60,405**

National Asset Management Agency Investment Limited (NAMAIL)	2013 €'000	2012 €'000
Loan to NAML	99,900	99,900
Interest on intergroup loan	19,243	19,093
Intergroup receivable	100	100
Total	**119,243**	**119,093**

National Asset Management Limited (NAML)	2013 €'000	2012 €'000
Profit participating loan with NAMGSL	24,283,000	27,033,000
Profit participating loan with NARL	11,928,000	-
Interest on profit participating loan with NARL	177,339	-
Intergroup receivable	99,900	99,900
Deferred tax asset	92,568	137,981
Total	**36,580,807**	**27,270,881**

National Asset Resolution Limited (NARL)	2013 €'000	2012 €'000
Cash	332,440	-
Cash placed as collateral with the NTMA	63,000	-
Loan facility deed	11,703,344	-
Interest on loan facility deed	12,245	-
Other assets	5	-
Deferred tax asset	2,051	-
Total	**12,113,085**	**-**

National Asset Management Group Services Limited (NAMGSL)	2013 €'000	2012 €'000
Profit participating loan with NALML	24,283,000	27,033,000
Profit participating loan with NAJVAL	13,450	-
Interest on profit participating loans	487,036	487,082
Total	**24,783,486**	**27,520,082**

National Asset Loan Management Limited (NALML)	2013 €'000	2012 €'000
Cash	3,119,500	2,234,554
Cash placed as collateral with the NTMA	739,000	1,150,000
Financial assets available for sale	145,138	257,932
Receivable from Participating Institutions	78,447	78,953
Financial assets at fair value through profit or loss	160,369	350,706
Loans and receivables	19,585,959	22,776,262
Intergroup receivables	614,127	559,968
Accrued interest receivable	12,474	23,383
Inventories – trading properties	-	200
Investments in equity instruments	5,125	-
Other assets	10,748	9,507
Deferred tax asset	107,769	203,894
Total	**24,578,656**	**27,645,359**

National Asset Property Management Limited (NAPML)	2013 €'000	2012 €'000
Investments	5,798	-
Inventories – trading properties	6,173	7,074
Other assets	27	599
Total	**11,998**	**7,673**

National Asset Residential Property Services Limited (NARPSL)	2013 €'000	2012 €'000
Cash	47	-
Inventories – trading properties	7,163	-
Rental income receivable	8	-
Total	**7,218**	**-**

40. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

40.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

National Asset JV A Limited (NAJVAL)	2013 €'000	2012 €'000
Cash	97	-
Investments in equity instruments	1,248	-
Loan receivable	12,151	-
Total	**13,496**	**-**

National Asset Sarasota LLC (NASLLC)	2013 €'000	2012 €'000
Inventories – trading properties	**26,104**	**-**

40.7 Government support measures, including guarantees, received by NAMA and each NAMA Group entity

Entity	Description	Amount in issue at 31 December 2013 €'000	Amount in issue at 31 December 2012 €'000
National Asset Management Limited	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51.3bn.	34,618,000	25,440,000
		34,618,000	**25,440,000**

41. EVENTS AFTER THE REPORTING DATE

a) Dividend

On 13 March 2014 the Board of NAMAIL declared and approved a dividend payment of €0.0302 per share, amounting to €1.542m. This was paid to the owners of B ordinary shares only.

b) Coupon on Subordinated Debt

On 28 February 2014 NAMA made a coupon payment of €84m on the servicing of interest on the subordinated debt. For more information on subordinated debt, see Note 35, Other equity.

c) Northern Ireland Portfolio Sale

On 4 April 2014, based on the recommendation of its adviser, Lazard, NAMA has announced the sale, subject to contract, of the Project Eagle portfolio of loans to affiliates of Cerberus Capital Management, L.P. (Cerberus). The portfolio consists of loans owned by Northern Ireland-based debtors and secured by assets in Northern Ireland, the Republic, Great Britain and other European locations.

The portfolio has a par value of £4.6bn. As the transaction has not yet completed at the date of authorisation of the financial statements and is commercially sensitive the financial effect of the transaction is not being disclosed and is not recognised in these financial statements.

This transaction represents the largest single transaction by NAMA to date. It follows a focused sales process involving bidders from Europe and the United States.

d) Completion of IBRC sales process

In April 2014, the joint Special Liquidators of IBRC completed the sales process of IBRC loans. The majority of the loans were sold to third parties and on 25 April 2014, the Minister announced that no assets of IBRC would transfer to NAMA. Further information on the IBRC liquidation and its impact on NAMA is disclosed in Note 3.1 to the financials statements.

42. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 1 May 2014.

GLOSSARY

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.

Cross Currency Swap An agreement to swap cash flows on loans of the same size and terms but denominated in different currencies. These agreements are used by the Group to fix the Euro cost of transactions denominated in foreign currency.

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.

Debtor business plans Business plans produced by each debtor setting out how they intend to pay back debt and the plan for achieving debt repayment. Debtor business plans are independently reviewed and approved between NAMA and the 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.

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 Charge from CBI Under the IBRC Act 2013, NAMA acquired a loan facility deed and floating charge over certain IBRC assets from the Central Bank of Ireland.

Floating Rate An interest rate that changes periodically as contractually agreed.

Foreign Exchange Derivative / Cross Currency Swap A financial contract where the buyer and seller agree to swap floating cash flows between two different currencies, during a defined period of time.

FX Swap An FX Swap is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward).

Hedge Entering into an agreement to manage the risks of adverse changes in the price of an asset or liability.

Impaired Loan A loan is impaired when it is unlikely the lender will collect the full value of the loan.

Interest Rate Swap A derivative in which one party exchanges a stream of cash flows for another party's stream of cash flows based on a specified principal amount. Typically this comprises a swap of the cash flows equivalent to variable interest payments for cash flows equivalent to fixed interest payments on the same principal amount.

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 NALML has committed to extend to customers.

Long-Term Economic Value (LTEV) The value as determined by NAMA in accordance with the NAMA Act, that an asset can be reasonably expected to attain in a stable financial system when the crisis conditions prevailing at the time of the passing of the Act are ameliorated and, in the case of property, in which a future price or yield of the property is consistent with reasonable expectations having regard to the long-term historical average.

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 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.

Qualifying Advance An advance made by a Participating Institution to a borrower (whose loans are eligible assets) following the announcement of NAMA by the Minister for Finance on 7 April 2009. The advance is only qualifying if it was made as part of normal commercial banking arrangements. No discount applied to these advances.

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—(i) the payment of a debt, or (ii) the discharge or performance of an obligation or liability, and *(i)* any other agreement or arrangement having a similar effect.

Short term treasury bonds Irish government treasury bonds acquired for liquidity management.

Special Purpose Vehicle A legal entity created to fulfill a narrow, specific or temporary well defined objective.

Subordinated Debt Debt which is repayable only after other debts have been repaid. NAMA pays 5% of the purchase price of the loans it acquires in the form of subordinated bonds.

Tranche A group of loans of different debtors, which transfer to NAMA at a specific point in time. The transfer of assets from Participating Institutions to the Group occurs in tranches.

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