DRAFT NAMA BUSINESS PLAN

(Subject to the views and approval of the NAMA Board)

13 October 2009

INTRODUCTION

This draft Business Plan has been prepared by the interim NAMA team for the purpose of outlining the background to NAMA and the manner in which it will carry out its functions and duties. In particular, the plan addresses the following main areas which are critical to the success of the NAMA project:

- **Purpose and objectives**
- **Key parameters of the NAMA portfolio**
- **Preparatory work carried out to date**
- **Work programme to be undertaken until June 2010**
- **Operating/governance structure**
- **Asset valuation and transfer process**
- **Credit management and servicing arrangements**
- **Key risks facing NAMA**

This is an interim plan and is subject to update and change after the Board of NAMA is appointed.

It is important to emphasise that much of the information regarding the prospective NAMA portfolio included in this draft Business Plan is based on aggregate data which has been provided by the various institutions. The interim NAMA team has not had direct access to individual transaction records and loan files and will not be in a position to verify the integrity of the data until it carries out its own due diligence on each of the loans proposed for acquisition. Given the unavailability, as yet, of the detailed asset information required for strategic planning and given that the Board has not yet been appointed, this interim plan focuses more on the operational planning required to ensure an efficient asset valuation and transfer process and the establishment of the NAMA organisation and its key governance structures.

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BACKGROUND

In common with other countries, Ireland is experiencing major difficulties in its banking and financial sector. In particular, the capital markets have concerns about the adequacy of banks' existing capital to cover possible future loan impairments, in particular, impaired property loans, and the capacity of financial institutions to maintain adequate capitalisation. The initiatives taken by the Government to date in the form of the recapitalisation of AIB, Bank of Ireland and Anglo Irish Bank have not removed these concerns and are considered unlikely in themselves to achieve the capital adequacy ratios demanded by the international capital markets, given that it is also imperative that banks, at the same time, increase the flow of lending to stimulate economic recovery.

In announcing the recapitalisation measures, the Minister for Finance stated that additional measures might be required to stabilise and strengthen the Irish banking system. To this end, the Government decided to establish the National Asset Management Agency (NAMA) which was announced in the Minister for Finance's Supplementary Budget on 7 April 2009. Draft legislation to establish the new agency has been published (www.nama.ie) and extensive preparatory work has been undertaken by an interim NAMA team.

PURPOSE AND OBJECTIVES

- After four months of preparatory work and intensive drafting, the National Asset Management Agency Bill 2009 was published on 10 September 2009; an earlier draft had been published as a consultative document on 30 July 2009. The NAMA project is intended to address a serious threat to the economy and to the systemic stability of certain credit institutions. The Bill describes NAMA's powers and functions as including the acquisition of certain bank assets, taking all steps necessary or expedient to protect, enhance and better realise the value of those assets and, by so doing, facilitating the restructuring, in line with EU Commission requirements, of credit institutions of systemic importance to the economy.

- The eligible assets to be acquired from participating institutions are land and development loans and associated loans. These pose the main systemic risk to the Irish banking system and their acquisition by NAMA is intended to ensure that bank balance sheets are cleansed of impaired assets. However, it should be noted that a significant proportion of the assets which will be acquired are not impaired and that about 40% of them are estimated to be cash-generating. The NAMA due diligence process will establish the *bone fides* of all data as part of loan valuation and transfer.

- NAMA will purchase bank assets through the issuance to participating institutions of a combination of Government securities or NAMA-guaranteed securities along with NAMA subordinated debt at a discount to the nominal value of loans being acquired. Subordinated debt will amount to 5% of the total amount of securities issued.

- Participating institutions may use the securities as collateral with the ECB and/or with market counterparties in order to obtain cash. It is expected that the resulting injection of cash into these banks should enable them to facilitate the flow of lending into the economy.

- NAMA's commercial mandate is to obtain the best achievable financial return on the assets acquired by it. It will have all the necessary commercial powers of a financial asset management company to establish subsidiaries, to operate through agents, to buy and sell assets, to manage loans and work with borrowers, to borrow, to lend, to provide guarantees and to take whatever action it considers appropriate in relation to the debts owing and the underlying security. In order to enhance market liquidity and demand for its assets, NAMA will engage with domestic and international investors interested in opportunities to invest in one or more of its sub-portfolios.

THE NAMA PORTFOLIO – KEY PARAMETERS

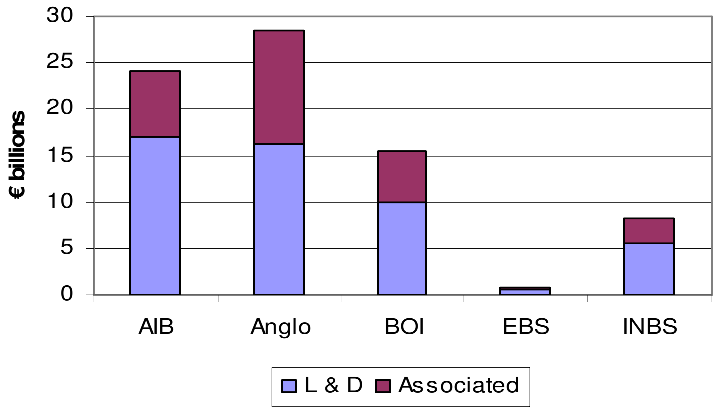
Loan book eligible for transfer	**€77bn**	• Based on work undertaken to date in relation to certain of the guaranteed institutions - Allied Irish Bank, Bank of Ireland, Anglo Irish Bank, Irish Nationwide Building Society, Educational Building Society - loans with an aggregate book value of approximately €77 billion have been identified as likely to be eligible assets for transfer to NAMA. **It should be emphasised that this estimate may change in the light of the definition of the 'eligible bank assets' which will be prescribed by the Regulations under the NAMA Act. It is only when the total range of eligible assets has been prescribed that a definitive basis will exist for determining the total book value of assets which are eligible for transfer to NAMA.**
Book split	**€49bn L&D** **€28bn Associated**	• This €77 billion is made up of approximately €49 billion land and development loans (€28 billion and €21 billion respectively) and approximately €28 billion in associated loans.
Estimated LTV	**77%**	• The estimated aggregate average loan to value (LTV) rate for these loans is approximately 77% i.e. the value of the real estate collateral at the time the loans were originated was €88 billion. The loans were made over a number of years and not all were made at the peak of the market.
Interest roll-up	**€9bn**	• It is estimated that, of the total portfolio identified for potential transfer to NAMA, approximately €9 billion consists of interest rollup.
Net original balance (excluding roll-up)	**€68bn**	• NAMA estimates that the original principal balances on these loans were approximately €68 billion (excluding interest rollup).
Estimate of current market value	**€47bn**	• In order to estimate the aggregate current market value of assets to be acquired, it is necessary to estimate the decline in value of the underlying property collateral since the loans were originated. It is estimated that Irish property prices have fallen by an average of 50% since early 2007 across all the sectors and regions comprising the NAMA exposures. Various factors, particularly geographic location and future cash flows including rental income, will impact this valuation. NAMA estimates an approximate 47% average decline on an aggregate portfolio basis including the impact of declines in overseas markets. This suggests that the current market value of property loans to be acquired by NAMA is €47 billion (€88 billion less 47%).
Estimated consideration payable (after statutory adjustment factors)	**€54bn**	• It is estimated, based on the application of statutory adjustment factors, that the consideration to be paid to participating institutions will be €54 billion, the estimated long-term economic value of the eligible assets. This will result in an uplift of approximately 15% on the current market value of the collateral of loans identified for transfer, equivalent to a discount of 30% on their loan book value.

Estimated recovery in asset prices required to break even	**10% over 10 years**	• Taking subordinated debt into account (5% or €2.7 billion of the total consideration), it is estimated that underlying asset prices would have to recover by approximately 10% over the expected 10 year lifetime of NAMA to avoid any loss to the taxpayer.

Note: These numbers are estimates based on information provided by institutions to date and will not be finalised until each loan has been individually valued by NAMA in accordance with a valuation methodology approved by the EU.

TABLE 1: Prospective NAMA loan portfolio (estimate) (€ bn)

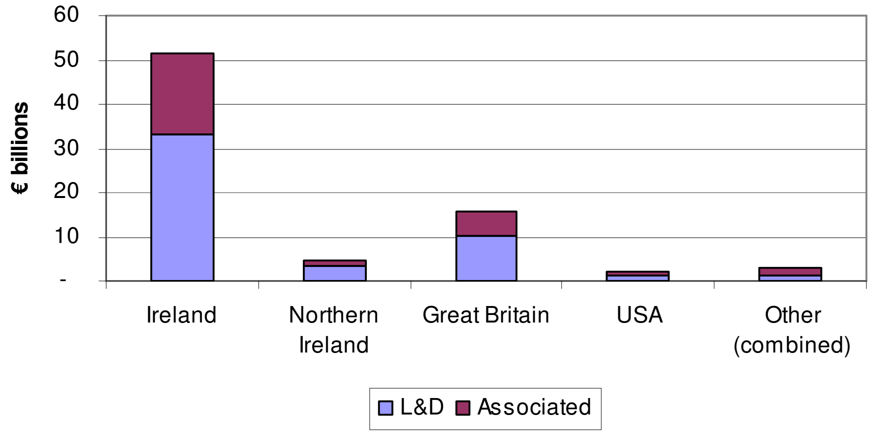
Institution	L & D Loans	Associated Loans	Total
AIB	17.0	7.1	24.1
Anglo	16.3	12.1	28.4
BOI	10.0	5.5	15.5
EBS	0.5	0.3	0.8
INBS	5.6	2.7	8.3
Total (€ billions)	**49.4**	**27.7**	**77.1**



Note: Land and development loans with a value of less than €5 million with AIB, Anglo and Bank of Ireland and their associated commercial loans will not transfer to NAMA. No such limit applies to EBS and INBS.

TABLE 2: Geographical breakdown of NAMA portfolio (€ bn)

Location	L&D loans	Associated loans	Total	% of total
Ireland	33.13	18.35	51.48	66.8%
Northern Ireland	3.29	1.51	4.80	6.2%
Great Britain	10.34	5.59	15.93	20.7%
USA	1.39	0.66	2.05	2.7%
Germany	0.05	1.01	1.06	1.4%
Portugal	0.46	0.14	0.60	0.7%
France	0.39	0.13	0.52	0.7%
Czech Republic	0.11	0.07	0.18	0.2%
Italy	0.04	0.09	0.13	0.2%
Spain	0.05	0.07	0.12	0.2%
Other	0.13	0.11	0.24	0.3%
TOTAL (€ billions)	**49.38**	**27.73**	**77.11**	**100.0%**

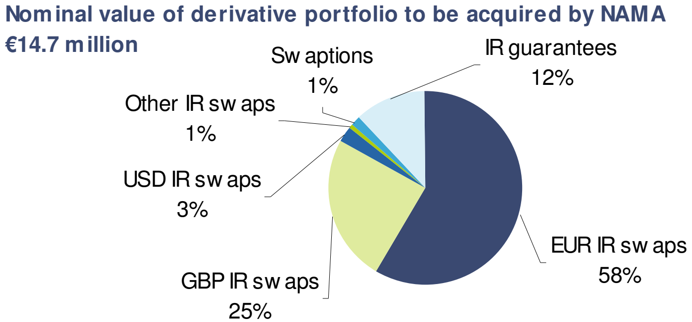


- In addition to loans, about 1,000 **derivative positions** (mainly interest rate swaps) attached to commercial loans will transfer to NAMA:

TABLE 3: Nominal value of derivatives portfolio to be acquired by NAMA

Derivative type	Nominal value
Interest rate swaps – EUR	8,522
Interest rate swaps – GBP	3,595
Interest rate swaps – USD	443
Interest rate swaps – other currencies	93
Swaptions	200
Interest rate guarantees (caps, floors, etc.)	1,803
TOTAL (€ millions)	**14,656**

- These derivatives change the interest rate structure of the underlying loans and their mark-to-market value will be incorporated into the valuation of the loans.



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Over the past year, institutions likely to participate in NAMA have made **provisions** of €7.3 billion against loan impairments:

TABLE 4: Provisions taken by various institutions up to end-June 2009

	Provisions
AIB	2,280
BOI	830
Anglo Irish Bank	3,719
INBS	344
EBS	102
TOTAL (€ millions)	**7,275**

- After the transfer of their L&D and associated loans to NAMA, it is likely that some institutions will require additional capital in order to absorb the consequent write-downs on the book value of their assets.
- The Government has indicated that it expects institutions to seek private sector capital in the first place but to the extent that sufficient capital cannot be raised independently or generated internally, it remains committed to providing institutions with an appropriate level of capital to continue to meet their requirements.

NAMA – NET PRESENT VALUE CASH FLOW PROJECTIONS

TABLE 5: Cashflow projections for NAMA's debt profile, loan redemption schedule, interest costs, expenses and asset recoveries (€ bn)

Year	NAMA Debt outstanding	NAMA Debt repayment	Interest income from borrowers	Principal repaid by borrowers	Asset recoveries	Interest outflow on debt	Fees / expenses	Net cash flows	Net Present Value
2010	54.0	-	1.3	1.0	-	(1.30)	(0.24)	0.76	0.7
2011	54.0	-	1.6	1.0	-	(1.80)	(0.24)	0.56	0.5
2012	54.0	-	1.6	2.5	-	(2.00)	(0.24)	1.86	1.6
2013	47.5	(6.5)	1.6	7.5	-	(2.10)	(0.24)	0.26	0.2
2014	41.0	(6.5)	1.3	7.5	1.0	(2.00)	(0.24)	1.06	0.8
2015	34.5	(6.5)	1.2	7.5	1.0	(1.80)	(0.24)	1.16	0.9
2016	28.0	(6.5)	1.0	7.5	1.0	(1.60)	(0.24)	1.16	0.8
2017	21.5	(6.5)	0.9	7.0	1.0	(1.30)	(0.24)	0.86	0.6
2018	15.0	(6.5)	0.7	7.0	-	(1.00)	(0.24)	(0.04)	0.0
2019	8.5	(6.5)	0.5	7.0	-	(0.70)	(0.24)	0.06	0.0
2020	-	(8.5)	0.3	6.6	-	(0.40)	(0.24)	(2.22)	(1.3)
TOTAL (€ billions)		**(54.0)**	**12.0**	**62.1**	**4.0**	**(16.00)**	**(2.64)**	**5.48**	**4.8**

The key assumptions are as follows:

- The initial debt of €54 billion issued as consideration for the bank assets is expected to reduce by €6.5 billion per annum from 2013 onwards until the wind-up of NAMA in 2020 when the then outstanding debt of €8.5 billion (including the subordinated debt) will be redeemed.
- Based on data supplied by the institutions, it is estimated that 40% of the loans to be acquired by NAMA will be cashflow-generating (interest and principal) and that these loans typically pay an average spread of 2% over Euribor. Assuming no major adjustment in average margins, this will produce interest income of €12 billion over ten years. Interest paid by NAMA on its outstanding debt is estimated at €16 billion over the same period: in general, cashflow-producing assets are expected to mature prior to the realisation of assets which do not currently produce cash flows. Interest inflows and outflows have been calculated by reference to the forward € swap rate curve.
- The projections assume that, of the €77 billion nominal value of loans acquired, €62 billion will be repaid by borrowers and that loan defaults or debt restructuring will occur on €15 billion (a rate of 20%). Over a five year period in the early 1990s, one UK bank experienced a default rate of less than 10% on its whole book. Given the concentrated nature of the prospective NAMA portfolio and the risk of a prolonged recession, a 20% default rate assumption has been made. It is also assumed that €4 billion will be realised from the sale of underlying assets secured by the defaulting loans of €15 billion. These are conservative and prudent assumptions.
- A discount rate of 5% was used to calculate Net Present Value.

- The projections exclude cash flows associated with NAMA funding of project completions as any net interest income earned by NAMA is likely to be marginal.
- NAMA will incur administrative costs associated with the outsourced servicing of loans (fees paid to banks on a cost recovery basis and fees paid to a Master Servicer acting on behalf of NAMA). These are estimated to be of the order of, on average, €240 million per annum (details on page 12). While constituent components of this estimate and amounts incurred each year could turn out to be less, the overall estimate is considered to be the most reasonable assumption that can be made at this stage.

TABLE 6: Estimated Net Present Value of NAMA

€ in billions	Net Present Value of NAMA
NAMA Debt	(54.0)
NAMA interest paid	(16.0)
Loan servicing and other costs	(2.6)
Repayment of loan principal	62.1
Interest received	12.0
Asset recoveries	4.0
Net cash flows (€ billions)	**5.5**
NPV (€ billions)	**+4.8**

As summarised in Table 6 above, it is projected that NAMA will return a positive Net Present Value of €4.8 billion over its expected lifespan (the 10 year Irish Government bond yield of 5% was used as the discount rate).

Sensitivity analysis of yield curve assumptions in calculating the NPV

NAMA will run an interest rate exposure as its interest-bearing assets are expected to mature prior to its non-interest-bearing assets. The sensitivity of its interest rate exposure was tested under three scenarios which involved potential changes in the shape of the yield curve:

1. A flattening of the curve with the short end increasing by 100 bps, the middle of the curve unchanged and the long end falling by 100bps.
2. A steepening of the curve with the long end increasing by 100 bps and the short end falling by 100 bps.
3. A steepening of the curve with the long end rising by 100 bps and the short end rising by 75bps.

Scenarios 1 and 2 have very little impact on NAMA's projected Net Present Value of €4.8 billion; under Scenario 3, the NPV falls by €1.5 billion to €3.3 billion.

Further sensitivity analysis suggests that NAMA's projected Net Present Value gain would be eroded under a number of interest rate scenarios:

- in the event that the yield curve flattened at a level of 7.5% or
- in the event that rates at the short end (1-3 Years) of the curve were to rise to 5.5% and rates further out the curve (4 Years +) were to rise to 9.5%.

Given the ECB's success in maintaining price stability to date, neither of these scenarios is considered likely in the foreseeable future.

Sensitivity analysis of default rate assumption

The central scenario assumes a default rate of 20% - €15.4 billion. Stress-testing of this assumption indicates that the default rate would have to increase to 31% to erode in full NAMA's projected Net Present Value gain of €4.8 billion.

NAMA Budget Projections 2010-2012

TABLE 7: NAMA – Budget projections 2010-1012

€ in millions	2010*	2011	2012
Income			
Interest income	2,851	3,250	3,360
Interest payments	(1,340)	(1,750)	(2,000)
Expenses			
Due diligence fees – Year 1	(165)	-	-
Service fees	(51)	(51)	(51)
Liquidation expenses	-	(160)	(160)
Ongoing fees	(30)	(30)	(30)
Net income/expenditure	***1,265***	***1,259***	***1,119***
Loan balances (€bn) as at 1 Jan.	77,000	76,000	75,000
Principal repayment (€ billions)	1,000	1,000	2,500
Loan balances (€bn) as at 31 Dec	76,000	75,000	72,500

** Assumes a full accrual of all income and expenses in 2010 notwithstanding the timing of loan transfers.*

- The interest income projections in this table include the impact of contractual rolled-up interest on land and development loans in addition to interest income from cashflow-producing assets.

- Due diligence fees – estimated to be about 0.2% of the book value of the portfolio in 2010 - include fees payable to firms carrying out loan and derivatives valuation, property valuation, audit assurance and legal due diligence for the loans being acquired by NAMA. It is proposed to recoup the cost of the due diligence process from the participating institutions.

- Under the provisions of the draft Bill, the Minister and the Comptroller and Auditor General will conduct reviews at the end of 2012 to assess the extent to which NAMA has made progress toward achieving its overall objectives.

PREPARATORY WORK TO DATE

- Since the Minister's announcement of the decision to establish NAMA in April 2009, there has been extensive preparatory work in a number of different areas by NTMA staff assigned to interim NAMA.

- On May 5th 2009, the Minister appointed Mr. Brendan McDonagh as interim Managing Director of NAMA.

Drafting of legislation	• A Steering Group comprising the NTMA, Department of Finance and the Attorney General's Office has been involved since April in considering key policy issues which require to be incorporated into the legislation. • A Drafting Group which also includes an external firm of solicitors has been engaged in more detailed drafting work for the Bill and for associated statutory regulations.
Procurement of external advisers and service providers	• NTMA has conducted public procurement competitions for advisory services required in connection with the drafting of legislation, NAMA's legal and tax structure and EU state aid requirements. Contracts were awarded in mid June 2009 in relation to the provision of banking, legal and tax advice. • NTMA is currently tendering for the following services which will be required once NAMA is established: – A Master Servicer to carry out loan administration and MIS services on loans acquired by NAMA, including the creation of a Central Data Repository. – A panel of legal firms which will carry out legal due diligence on loans designated for transfer. – A panel of property valuation firms which will audit and review the property valuations provided by institutions. – A panel of firms which will carry out valuations of loans designated for transfer from the financial institutions to NAMA. – A firm which will conduct valuations of derivative positions to be taken over by NAMA. – A firm which will act as Audit Co-ordinator during the valuation and acquisition process to ensure that valuations of property and of other security and of loans and derivatives have been carried out rigorously and consistently across all financial institutions. This is required to meet EU Commission assurance requirements of the process but will also serve as an assurance process for the Minister and the NAMA Board. It will also provide a full audit trail for the Comptroller & Auditor General, who will be auditor of NAMA.

Liaison with Institutions – Portfolio Review	• NTMA has undertaken intensive engagement with financial institutions likely to participate in NAMA and has compiled portfolio and aggregate loan level data from them based on questionnaires developed and issued by interim NAMA. • NTMA is also engaged with the institutions in relation to the legal due diligence process and the level of certification and warranty that will be required, necessary shareholder and regulatory consents and servicing models.
Liaison with other Stakeholders	• NTMA has engaged in discussions with interested third parties including the foreign-owned financial institutions which operate and lend in the Irish property market. It is unclear as yet whether any may apply to participate in NAMA. • There are ongoing discussions with the Irish Bankers Federation, Irish Bank Officials Association and the Irish Congress of Trade Unions on the proposed operation of NAMA and its impact on the banking sector. • Liaison has been maintained with the Construction Industry Federation and the Irish Property Council. • NTMA has also held meetings with individuals and organisations who have operated and worked with asset management structures (similar to NAMA) in Europe, particularly those with Swedish and US experience. • Given that 27% of the prospective NAMA portfolio is based in the Sterling area, ongoing discussions are taking place with the UK Treasury, Bank of England and UK Financial Services Authority on the scope and operation of NAMA both in relation to how it could potentially interact with subsidiaries of UK institutions in the Irish market and also how it proposes to deal with UK-based assets that it acquires from participating institutions. • Interim NAMA and the Department of Finance have been engaged with the Central Statistics Office and Eurostat on the balance sheet status of NAMA from a General Government Debt (GGD) and General Government Balance (GGB) perspective. • NAMA is assisting the Department of Finance in discussions with the European Commission's DG Competition to ensure that all necessary data is provided to the Commission during the pre-notification stage so as to facilitate the quickest possible turnaround time once the formal state aid notification is made. Discussions are progressing positively and well.

WORK PROGRAMME – SEPTEMBER 2009 TO JUNE 2010

The current working assumption is that the NAMA Bill will be enacted in early November 2009 and the following work programme is based on that assumption.

Institutions may apply to the Minister to be designated as participating institutions. The draft legislation includes objective and non-discriminatory criteria which must be assessed prior to designation: these include the systemic importance of the applicant institution to the State, other State supports available to the applicant institution, the maintenance of financial stability and facilitation of the flow of credit to the economy. In volunteering for participation, an institution will be required to confirm that it will accept the designation of eligible assets by NAMA, that it will accept the NAMA valuation of those assets and that it will become subject to additional regulatory and other business restrictions and oversight.

Period	Function	Key Tasks
Sep / Oct 2009	Legislative	• Contributed to the drafting of Regulations and of Committee Stage amendments to the NAMA Bill. • Contributed to preparatory work required in advance of the Minister's Second Stage Statement to the Dáil on 16 September 2009.
	Service Providers for valuation/loan transfer process	• Evaluate applicants for the position of Audit Co-ordinator, select a shortlist to be issued with a detailed Request for Proposals and determine which firm is most suitable for the position. • Evaluate applicants for a panel of firms to provide Loan and Associated Valuation Services, select a shortlist to be issued with the detailed Request for Proposal and select firms for the panel. • Evaluate and select applicants for the NAMA Legal Services Panel (140 applications). • Evaluate applicants for a panel of firms to provide Real Estate Valuation Services to NAMA (341 individual applications), issue the detailed Request for Proposal to a shortlist of firms and select the final panel (which will consist of 35 firms operating across seven geographical regions). • Evaluate applicants for the position of Derivatives Valuation Services Provider, select a shortlist to be issued with a detailed Request for Proposals and determine which firm is most suitable for the position.
	Service Providers – ongoing	• Evaluate the capabilities of five firms which have been shortlisted for the role of Master, Backup and Specialist Loan Services Provider ("Master Servicer") to NAMA. After evaluation of the firms' responses to NTMA's Request for Proposals in addition to any site visits, interviews and system demonstrations which may be appropriate, determine which firm is most suitable for the position.
	Preparations for loan transfer	• Identify the largest 150 borrower exposures to be initially acquired by NAMA. • Detailed discussions with institutions which are likely to participate initially in NAMA: agree arrangements regarding conduct of legal due diligence process, property and other asset valuations, data retrieval, storage and transfer, loan transfer and payment of consideration, etc. • Detailed discussions with institutions regarding operational arrangements to be put in place following the establishment of NAMA: agree arrangements regarding institutions' administration of NAMA loans, delegated authority regarding credit decisions, reporting arrangements, interaction with NAMA-appointed Master Servicer, etc.
	Recruitment	• Identify and agree contractual terms with highly experienced staff for key senior positions in NAMA. • Identify staff suitable for other positions.
	Board	• Prepare briefing material for NAMA Board (likely to be appointed in early November) including draft Business Plan, familiarisation with NAMA legislation, business updates and initial strategy papers.

Period	Function	Key Tasks

Nov / Dec 2009	Service Providers for valuation/loan transfer process	• Agree contractual arrangements and formally appoint firms for the following positions/panels:
		  ○ Legal Services
		  ○ Property Valuation Services
		  ○ Loan and Associated Valuation Services
		  ○ Audit Co-ordinator
		  ○ Master Servicer
		  ○ Derivatives Valuation Services
		• Ensure that all service providers are fully briefed as to their responsibilities.

	Asset valuation and transfer	• Based on lists of eligible assets identified by participating institutions, begin the process of asset valuation by appointing legal firms and loan valuers to each of the institutions. Focus initially will be on loans to the largest 25 borrowers across the participating institutions. • Set up detailed operational arrangements for the asset valuation process to ensure an efficient interaction between the institutions and the various service providers appointed by NAMA. • Facilitate process by providing guidance to service providers on issues which emerge in the course of valuations. • Monitor the process, in conjunction with the Audit Co-ordinator, to ensure rigour and consistency in valuations. • Ensure that daily progress reports are available to update NAMA management and Board on the progress of valuations and the extent to which valuations are in line with initial expectations. • Review and approve one or more acquisition schedules prepared by Audit Co-ordinator with the objective to transferring the largest 10-15 borrower exposures by end-year. • Make arrangements, in conjunction with NTMA's Debt Management unit, for the issue to institutions of government securities and/or guaranteed securities, including NAMA subordinated debt, as consideration for acquired loans.

Period	Function	Key Tasks

Nov / Dec 2009 (cont'd)	NAMA Borrower interaction	• NAMA will meet the major borrowers as their loans transfer to NAMA.
		• NAMA will request and evaluate Business Plans put forward by borrowers and recommend to the NAMA Board the appropriate course of action to take. The following will be required for each borrower:
		    o A clear and comprehensive account of the borrower's total exposure to all institutions
		    o Detailed analysis of the borrower's total portfolio and its breakdown into groups, segments, exposures, geography, costs, etc.
		    o Development of a credible plan for management of the portfolio, with prioritisation of developments that are expected to yield cash flows.
		• Obtain Board agreement to the plan.
		• Implementation of the agreed plan with time lines, targets, etc.
		• Review the plan at regular intervals for implementation including a fundamental review of primary strategy in the light of experience.

	Recruitment	• Formally agree contracts with staff identified for key senior positions in NAMA. • Interview staff suitable for other positions and aim to have a staffing complement of 30-35 by year-end.
	Board and Committees	• Facilitate the NAMA Board, the Audit Committee, the Risk Management Committee, the Credit Committee and any other advisory committees established by the Board. • Prepare material for the Board to enable it to determine NAMA asset management strategy.
	Codes of practice	• Prepare codes of practice for approval by the Minister in relation to the conduct of NAMA officers, servicing standards for acquired assets and other matters listed in section 34 of the Draft Bill.
	Operating issues	• Work closely with Master Servicer in establishing operational arrangements with participating institutions to ensure efficient and cost-effective service delivery and the provision to NAMA of management information. • Agree Service Level Agreements with participating institutions. • Assist participating institutions to establish dedicated internal NAMA units to administer NAMA loans. • Treasury Risk: in conjunction with NTMA Debt Management unit, set in place arrangements for monitoring and hedging any interest rate or currency exposures that NAMA may have as a result of its acquisition of loans and derivatives. • Draft and agree controls and business procedures for NAMA, NAMA officers and the NAMA Board. • In conjunction with NTMA Finance Directorate and Internal Audit division, set in place NAMA accounting and internal audit arrangements.

Period	Function	Key Tasks
Nov / Dec 2009 (cont'd)	Reporting arrangements	• Prepare NAMA's first annual budget and any multi-annual budget projections that may be required. • Statutory reporting: prepare templates for annual forecasting statements and quarterly reports to the Minister. • Put in place a system which will enable valuation of NAMA portfolios including regular valuations of NAMA assets and updates of performance against original acquisition values of sub-portfolios. • Set up requisite management information systems. • Develop and agree key performance indicators for NAMA and for NAMA service providers.
Jan / Jun 2010	Bank asset valuation and transfer	• Arrange for additional tranches of asset transfer from the institutions with targets of 300 borrower exposures transferred by end-March 2010 and all borrower loans to be transferred by end-June 2010.
	Recruitment	• Complete the recruitment of NAMA staff: assuming that 30-35 staff will have been recruited in November/December 2009, an additional 40-45 staff will need to be recruited by end-March 2010.
	Service Providers	• Establish panels of service providers required by NAMA as part of its ongoing operations, including workout specialists, project managers, legal services, etc. • As NAMA will be subject to public procurement parameters, some service acquisition timeframes may be longer than currently envisaged.

NAMA BOARD

Functions	1. To set strategic objectives and targets for NAMA 2. To ensure that appropriate systems, procedures and resources are in place to achieve NAMA's strategic objectives and targets **3.** To ensure that NAMA performs its functions effectively and efficiently in line with strategic objectives.
Composition	• Seven members appointed by the Minister for Finance • CEO of NAMA (ex officio) • Chief Executive of the NTMA (ex officio)
Term of office of the first-appointed Board	• Two members appointed for five years • Two members appointed for three years • Three members appointed for four years
Board's Work during NAMA's start-up phase (first three/six months)	**Governance/Procedural issues** • Determine and agree on an optimal taxation and business structure for NAMA and for its subsidiaries. • Consideration, amendment (as appropriate) and approval of NAMA Business Plan including key parameters such as proposed structure, staffing, outsourcing arrangements and budget. • Establishment of an Audit Committee (including four members of the Board), a Credit Committee and a Risk Committee (both committees to include at least two members of the Board). The Board will determine the terms of reference and procedures of each of the committees. • The Board will review, amend (as appropriate) and approve draft codes of practice in relation to a number of matters including the conduct of NAMA officers, servicing standards for acquired bank assets, disposal of bank assets, etc. The codes of practice must be approved by the Board and submitted for the Minister's approval within three months of NAMA's establishment. • Decisions as regards the Board's proposed mode of operation: information requirements, levels of delegated authority, frequency of meetings, etc. Decisions as to the forms of specialist advice the Board may need in order to inform its strategies, including the establishment of any advisory committees it may consider necessary to advise it in the performance of its functions. **Business/Performance issues** • Review of progress against timetable on the transfer of loans from institutions. • Consideration of an outline strategy in relation to the largest 100/150 borrower exposures including a review of business plans presented by borrowers and associated decisions on borrower viability and credit. • Consideration of how NAMA should determine the viability of 1,500-2,000 other borrowers and associated decisions in relation to credit. • Approval of a credit impairment framework e.g. an impairment scale ranging from 1 (fully performing) to 10 (in default). • Strategies in relation to each asset sub-portfolio categorised by reference to country/region, type (commercial, retail, residential) and sub-type. • Consideration of asset management and disposal policy. • Determination of policy guidelines in relation to NAMA investment in projects (€5 billion limit) e.g. the minimum expected return from supported projects. • Determination of Key Performance Indicators (KPIs) against which NAMA's performance and that of service providers may be benchmarked. • Approval of a long-term Strategic Plan which will set out how NAMA proposes to achieve its target of a positive NPV over its expected lifespan.

PROPOSED OPERATING STRUCTURE

- NAMA will maintain a streamlined organisational structure (see **Appendix 1**) and will outsource work as appropriate. It will employ a small team of professionals to oversee and manage the process in the interests of the taxpayer.
- It is estimated that NAMA will have about 75 members of staff assigned to it who will oversee the management of its key functions.
- Initially, it is expected that a core team of 30 will be required when NAMA is established to get the loan valuation and transfer process underway. It is envisaged that labour-intensive services such as loan administration, asset workout and property management will be outsourced to external service providers as appropriate. It is possible that, over time, staffing may increase to about 100 depending on the resources required to manage the larger borrower exposures intensively, including the quantum of borrower defaults.
- The NTMA, as a service provider to NAMA, will need increased resources in the support functions of Financial Control, legal, funding and debt management and possibly IT to service NAMA but this has not been quantified as it is a matter for the Chief Executive of the NTMA to determine based on requirements set down by the NAMA Board.

Recruitment of staff

- Over 2,000 CVs have been received to date from a diverse range of applicants interested in joining NAMA. The NTMA HR unit has classified the CVs by reference to the skill sets likely to be required by NAMA.
- During October 2009, after the legislation is introduced into the Oireachtas, interim NAMA will move quickly to identify suitable candidates to head its five business divisions, namely the Head of Portfolio Management, Head of Banking/Lending, Head of Credit and Risk, Head of Business Services and Head of Legal and Tax (an outline of the responsibilities of the five divisions is set out in the following pages).
- These key positions will have to be filled as soon as possible after the legislation is passed, so that the selection process to fill other positions under these senior function heads will get underway. It is expected that all recruitment will have been completed by March 2010 but it is intended that the initial thirty positions, including the senior positions, should be in place before the end of 2009.

Function	Est. staffing (FTE)	Key responsibilities
Portfolio Management	25 - 30	• The management of borrower exposures including regular review of borrower business plans (approve, reject or restructure as appropriate). • Determine, on the basis of the following strategic options, best management and exit strategies for various sub-portfolios (region, asset class, borrower, etc.) so as to maximise recovery: – Hold over the medium-term so as to benefit from anticipated market recovery. – Enhance asset value through investment. – Sell, over the short to medium term, assets which are unlikely to benefit from recovery or where the cost or risk of holding the asset is considered too high. For instance, significant capital expenditure may be required, tenant failures are anticipated, value declines are forecast, etc. • Secure access to external capital markets, institutional investors, private investors and other prospective asset purchasers. • Oversee asset management process, including lease negotiations and executions (i.e. renewals, early surrenders, etc), capital expenditure recommendations and implementation, tenant relations, planning consents, etc. • Oversee outsourcing of property management, including rent collection, payment invoicing, service charge budgeting, health and safety, etc.
Banking/Lending	12 -14	• Administration of loan portfolio • Identify potentially distressed loans • Determine the terms, including the interest margins, of NAMA loans • Devise and document loan strategies – including restructuring and enforcement of facilities – that meet NAMA's objectives. • Oversee the development and execution of individual loan plans. • Oversee the management of NAMA's derivatives positions and design appropriate hedging strategies in conjunction with NTMA's Debt Management unit. • Identify assets for disposal, coordinate the preparation of asset information / sale documentation and facilitate the sale process • Maintain interaction with non-participating institutions to achieve the optimal outcome with respect to common borrowers.
Credit and Risk	10 - 12	• Responsibility for enterprise wide risk management across NAMA's businesses including the specification and monitoring of risk parameters. • Evaluation of proposals and business plans of NAMA borrowers and drawing up papers and recommendations for NAMA's risk and credit committees and the NAMA Board. • Responsibility for NAMA credit and risk management. • Responsibility for NAMA market risk.

Function	Est. staffing (FTE)	Key responsibilities
		• Responsibility for quantification of NAMA operational risk and for monitoring the implementation and effectiveness of the operational risk management framework.
Business Services	10 - 12	• Interact with and monitor performance of Master Servicer to ensure efficient and cost-effective service delivery, including cash flow management and quality and timeliness of management information and reporting. • Provide support services to the various NAMA Board Committees to ensure that they operate efficiently and effectively. • Preparation, monitoring and reporting of NAMA annual budget, multi-annual budget projections, debt issuance and redemptions and NAMA operating costs. • Statutory reporting - annual accounts/forecasting statements to Minister, quarterly reports to Minister and the triennial review of NAMA's progress. • Portfolio valuation - regular mark-to-market of NAMA assets, including updates of performance against original MV, LEV and AV of sub-portfolios. Performance of key borrowers, the bank portfolios acquired by NAMA and the performance of sub-portfolios by type and by geographic region. • Management information systems for loan monitoring, management and accounting. • Strategic planning including the development of a strategic framework within which the long-term performance of NAMA can be projected, measured and monitored. • Development and reporting of key performance indicators for NAMA and for NAMA service providers. • Information/public relations about NAMA's activities • Development of NAMA controls and procedures
Legal and Tax	5 - 6	• Management of legal, tax, reputational and regulatory risk. • Management of the legal process for the acquisition of bank assets by NAMA to include oversight of the legal due diligence process and management of outsourced legal services. • Management of NAMA litigation. • Management of the NAMA group structure to include formation and operation of group companies, intra-group contracts and servicing, company law compliance, tax planning and compliance with responsibility for relationship with the Revenue Commissioners and other relevant tax authorities. • Management of the procurement of key services and contractual relationships with key service providers. • Optimisation of the taxation treatment of NAMA activities. • Provision of advice on disposal options for NAMA assets to include securitisation or disposal of loan portfolios and disposal of NAMA's property portfolio. • Management of NAMA legal documentation. • Provision of advice on NAMA's credit operations to include advising on development loans and other advances of debt or equity.

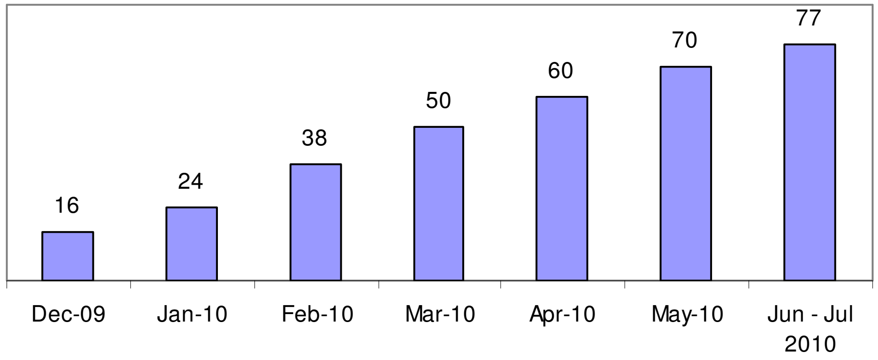
ASSET VALUATION AND TRANSFER PROCESS

The current objective, which is dependent on the earliest possible establishment date of NAMA, is to have the largest 10-15 borrower exposures across the participating institutions transferred to NAMA by the end of the year. The transfer process will take place in tranches of borrowers and the aim is to have the process completed by the middle of 2010. It is estimated that the largest 100 exposures account for about €38 billion nominal value of the loans to be acquired by NAMA.

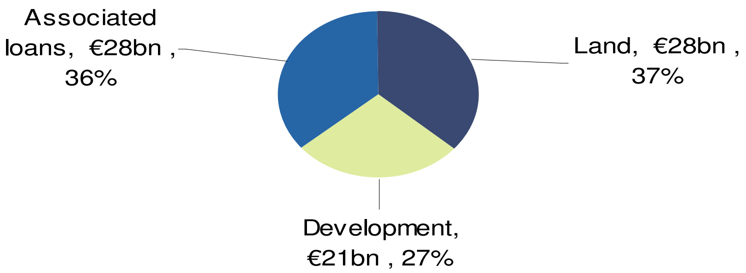
TABLE 8: Projected Loan Transfer Schedule

Period	Projected number of exposures (cumulative)	Projected book value of loans transferred (cumulative)	Projected amount of Government securities / sub debt issued to institutions (cumulative) @ 30% discount
	Number	**€ billions**	**€ billions**
Dec 2009	10	16	11.2
Jan 2010	35	24	16.8
Feb 2010	100	38	26.6
Mar 2010	300	50	35.0
Apr 2010	750	60	42.0
May 2010	1,200	70	49.0
Jun - Jul 2010	1,500 – 2,000	77	54.0

Book Value of Loans Transferred (€ billions)



Split of Eligible Loan Book for transfer by type



The loan transfer process is illustrated graphically in **Appendix 2** – the key stages in the process are as follows:

1. Institutions will provide NAMA with full lists of assets which may be eligible and when providing such lists, may signal their intention to object to the acquisition of a particular loan on the grounds that it does not meet the eligibility criteria.
2. Any objection on eligibility will be dealt with either by agreement with NAMA or by reference by NAMA to an expert reviewer who will examine the objection and report his findings to the Minister, who will then confirm whether the loan is eligible. The objection process will run throughout the acquisition phase and is designed to deal with eligibility issues before an asset is valued.
3. Institutions must ensure that all collateral has been valued by professional external valuers in line with guidance provided by NAMA which includes a duty of care to NAMA. These valuations will be audited and reviewed by a panel of valuers appointed by NAMA to ensure that the valuations are reasonable by reference to current market conditions.
4. NAMA will appoint a legal services panel to review the legal due diligence data provided by each of the institutions and these firms will review and as necessary interrogate that data to ensure that all loans and security are enforceable and that title to the underlying property is valid and marketable. Where defects in title or security are identified, NAMA may (a) refuse to acquire the loan concerned, (b) request that the defect be corrected by the institution or (c) discount the loan value by an appropriate amount.
5. The participating institutions will pass loan data and property valuations to the loan valuation firms appointed by NAMA. The firms will be responsible for carrying out bank asset valuations in line with the valuation methodology outlined in the Bill and the adjustment factors detailed in Regulations. They will incorporate into their valuations the value of derivative positions as provided by a specialist Derivatives Valuer appointed by NAMA and the market values of other collateral such as non-real estate security (e.g. shares).
6. Each loan valuation firm will pass its valuations to an Audit Co-ordinator who will collate valuation and due diligence data of loans, security and associated derivatives. The Audit Co-ordinator will conduct audits of valuations provided by the appointed loan valuation firms in order to ensure rigour and consistency in the application of methodologies and in the assumptions used. The Audit Co-ordinator will also satisfy itself that real estate valuations provided by participating institutions and cross checked with NAMA's own property valuation panel are rigorous and internally consistent.
7. The Audit Co-ordinator will prepare a series of draft acquisition schedules, to be approved by NAMA, for each participating institution; the first of these schedules is expected to be issued in November/December 2009. In order to do so, it must collate and aggregate loan and derivatives valuations on a borrower by borrower basis in line with data received from the various loan valuers and from NAMA's panel of legal advisers.

NAMA – ACCOUNTABILITY AND REPORTING REQUIREMENTS

Annual Statement	• NAMA will be required to submit to the Minister, three months before the start of each financial year, a statement specifying the following: ○ Its proposed objectives for the year concerned ○ The nature and scope of activities to be undertaken ○ The strategies and policies for achieving its objectives ○ The uses to which it proposes to apply its resources. • The Minister will lay copies of this statement before the Houses of the Oireachtas.
Annual Accounts	• The Agency will submit to the Minister annual accounts of its transactions including the following: ○ A list of debt securities issued ○ A list of securities issued to and redeemed by each participating institution ○ A list of all advances made by NAMA ○ A list of all asset portfolios held by NAMA ○ Its administration fees and expenses ○ P&L, balance sheets and other accounts.
Quarterly reports	• Each quarter, NAMA will report to the Minister giving detailed information in relation to the following; ○ Loans outstanding, categorised as between performing and non-performing (including level of impairment) ○ A schedule of finance raised by NAMA ○ Income, including amounts recovered from property sales ○ A schedule of income and expenditure in the period. • The Minister will lay copies of this statement before the Houses of the Oireachtas.
Comptroller and Auditor General	• NAMA's accounts will be audited by the Comptroller and Auditor General
Oireachtas	• The Chairman and Chief Executive Officer of NAMA will give evidence, whenever required to do so, to the Committee of Public Accounts and to any other Committee appointed by the Oireachtas to examine matters relating to NAMA.

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NAMA PROPOSED CREDIT MANAGEMENT AND SERVICING ARRANGEMENTS

Debt owing by borrowers to NAMA will not reduce from their current liability to participating institutions.

1. *Largest 100/150 borrowers*

- It is proposed that these large exposures will be managed directly by NAMA.
- Each large borrower must submit a detailed Business Plan to NAMA within a specified period of his/her loans being acquired by NAMA.
- The NAMA credit, banking and portfolio management staff will review the plan, prepare its own credit report, agree it with NAMA Senior Management and submit both to the NAMA Board Credit Committee along with any recommendations.
- Within one month of a plan's submission, the NAMA Credit Committee will determine whether, in its view, the plan is viable and will either approve it, reject it or refer it back for amendment.
- Where a plan is rejected and a borrower is assessed to be no longer viable by the credit committee, it will go to the NAMA Board for final approval and, if it agrees, NAMA will initiate the process of taking whatever action it considers appropriate to protect the value of its security.
- Where a plan is approved by the credit committee and the NAMA Board, the borrower's subsequent performance will be monitored closely by NAMA Banking/Lending and Portfolio Management Divisions to ensure adherence to targets set out in the approved business plan.
- Administration of the loans (collection of interest, principal, etc.) will remain with the original institutions under the control and supervision of NAMA.

2. *Other borrowers – excluding top 150*

- For borrowers outside of the largest 150 borrowers, NAMA will make an early determination as regards each borrower's creditworthiness, taking into consideration information from each of the participating institutions on the performance history and level of impairment of acquired loans.
- Borrowers will be classified by reference to (i) the level of their exposure, (ii) their creditworthiness and (iii) their level of impairment.
- The larger and more impaired exposures will be assessed as a matter of urgency by NAMA and appropriate action will be taken subject to the approval of the NAMA Credit Committee and the NAMA Board.

Loan Servicing Arrangements

It is proposed that the primary servicing of loans will be outsourced by NAMA.

- The participating institutions will continue to conduct routine loan administration work. Each of the institutions will establish a segregated unit to manage NAMA loans – staff in the units will be bank employees but will work exclusively on NAMA loans.
- Access to NAMA loan databases within each bank will be reserved exclusively to staff operating in the NAMA units and to NAMA staff.
- In each of the institutions' NAMA units, NAMA will have a number of its own staff to oversee the management of its loans and to provide guidance on any minor credit issues that may emerge.
- Major credit decisions will be taken by the NAMA Board Credit Committee and by NAMA credit managers.
- In the case of the largest 150 borrowers, all credit decisions will be taken by NAMA and effected by the participating institutions.
- For other borrowers, routine credit decisions will be made on the basis of delegated authority from NAMA to the various institutions.
- Cash flows on NAMA loans will transfer, on a daily basis, borrower accounts into NAMA accounts at each of the institutions.
- A Master Servicer employed by NAMA will oversee the process and provide NAMA with requisite consolidated reports and management information.
- All service providers will be subject to intensive internal audit by NAMA and external audit by the Comptroller & Auditor General.

NAMA PROPOSED INVESTMENT STRATEGY

Of the €77 billion to be acquired by NAMA, it is estimated that €31 billion is cashflow-generating (€28 billion in commercial loans and €3 billion in land and development loans). This means that loans totalling €46 billion will not be producing cash flows but may be regarded as performing as they are on interest rollup (as per their contractual terms).

1. Some of the projects originally envisaged under these loans will not proceed as they no longer make commercial sense.

2. A second category of projects, however, will remain commercially viable and, in order to bring them to completion and thereby generate income, it may be necessary for NAMA to invest funds in them on a partnership or joint venture basis. NAMA will inherit any commitments entered into by the banks as far as the drawdown of funds is concerned; it is estimated that undrawn commitments on loans transferring to NAMA are of the order of €6.5 billion. However, where a borrower is in breach of covenants, NAMA will not be obliged to honour further funding commitments. Where a borrower's loans continue to perform and where the underlying project remains viable, NAMA will be in a position, if required, to make funding available for appropriate risk-adjusted remuneration to complete the project if that enables returns to be optimised.

3. A third category of projects will be considered to be unviable by reference to the original purpose of the borrowing but may be viable if alternative uses or alternative project timescales are considered.

4. It may be necessary for NAMA to encourage borrowers to engage in realisations of some non cashflow-producing assets (primarily land & development assets) at appropriate prices in the early years of NAMA. This will be an important part of the Business Plan assessment process undertaken by NAMA.

The Bill, as drafted, provides for a limit of €5 billion of the amount of funds that NAMA can borrow for purposes other than the payment of consideration for acquired bank assets A limit of this magnitude may, in certain circumstances, present a limit to the achievement of NAMA's asset development/enhancement objectives given that it is equivalent to only 6% of the NAMA €77 billion portfolio and given that undrawn facilities on loan transfers are about €6.5 billion. However, the limit can be adjusted by order of the Minister and Resolution of the Dáil, thus ensuring parliamentary accountability for borrowing levels.

KEY RISKS FACING NAMA

Many of the key risks faced by NAMA are outlined below. The NAMA Board and its Risk Committee will monitor these risks and ensure that appropriate risk management policies are in place.

1. **Protracted valuation process – due diligence obligations, legal challenges and/or lack of preparation by institutions**
The risk that the transfer process takes significantly longer than currently projected and that, therefore, the injection of liquidity into the banking system and the corresponding flow of credit into the economy is delayed, in turn impeding economic recovery. Restoration of the availability of credit is a necessary pre-condition for the recovery in real estate prices required for NAMA to break even and, more generally, for an early recovery in economic conditions in Ireland. One source of risk is that institutions will not be sufficiently prepared in terms of data collation and this could lead to delay and disruption of the acquisition timetable. A further risk is the prospect of legal challenges to NAMA's business operation which may delay and impede it in achieving its objectives.

2. **Valuations outside expected range**
The risk that the bank asset valuation and acquisition process produces an outcome which is significantly different from current expectations with respect to the major parameters and assumptions set out below and used in the analysis to date:
    - The market value of the underlying property assets (€47 billion)
    - Interest rollup (estimated €9 billion)
    - Actual aggregate average LTVs (average of 77%)
    - The proportion of acquired assets which are cashflow-producing (40%)
    - Margins on income-producing assets (2%)
    - Default rate (20% assumed)

3. **Economic risk**
The risk that, notwithstanding the availability of credit, economic growth in Ireland will remain sluggish for a protracted period in response to the impact of the budgetary tightening that began in 2008 and is likely to continue for the foreseeable future. The ESRI forecasts GDP contraction of 7.2% this year and 1.1% in 2010; the latter incorporates the effect of a moderate pick-up in economic activity from the middle of the year onwards. Over the period of NAMA's expected life span, moderate annual growth rates would be required in order to stimulate the demand for commercial, retail and residential property that would be necessary for NAMA to achieve its target of breakeven or better.

    This risk would be compounded if the main European economies were to experience strong economic growth over the coming two/three years and Ireland simultaneously remained weak. Under this scenario, ECB interest rates would rise at a time when the Irish economy might be poorly placed to absorb the deflationary impact of higher interest rates. The key issue, therefore, is the extent to which the deflationary impact of budgetary tightening could be offset by the stimulatory effect of the stronger economic performance of Ireland's main trading partners.

4. Risk of prolonged property market depression

An associated risk is that the market values of real estate assets underlying loans acquired by NAMA will fall significantly after the reference valuation date and recover only slowly over the early years of NAMA's operation. NAMA would not wish to be in a position for a protracted period where the aggregate value of its assets was less than the consideration it paid for them. If economic conditions do not improve, there may be some public pressure on NAMA to begin disposing of assets and start the process of reducing its debt earlier than currently envisaged.

As against that, many informed observers are of the view that prices/yields are close to the bottom of the cycle, particularly as far as UK property is concerned. NAMA's portfolio will be diversified (33% outside ROI) across different regions and sectors and, as such, is unlikely to be synchronised in terms of market recovery. As such, default rates are likely to differ and opportunities to dispose of assets are likely to arise earlier in some markets than others.

5. Market risks, including risks arising from the acquisition of foreign assets.

NAMA will have significant exposure to interest rate risk and will need to manage this intensively by reference to the Euro and Sterling interest rate cycles in particular. Due to the potential costs involved, interest rate risk is a key exposure for the NAMA Board to assess. NAMA will have a substantial loan (and potential property) portfolio in the UK, US and other jurisdictions with currency, foreign tax and foreign law risks inherent in overseas investment. As about 30% of the assets are denominated in currencies other than the euro, exchange rate fluctuation will be a key risk for NAMA. It will create accounting volatility in the P&L which will be potentially difficult and potentially costly to hedge, particularly in relation to assets which do not produce cash flows.

6. Business Strategy

Strategic business decisions which would be perceived as involving policy errors or misjudgements on the part of NAMA and its Board:

- Credit and Risk strategy: decisions as to which borrowers to support and the extent of such support.
- High profile insolvency and enforcement cases.
- Strategic views taken of various markets and market sectors.
- Asset management strategy: the timing and pricing of asset disposals and decisions relating to investment, etc.
- Suboptimal refinancing – timing and rates.
- Possible conflict between NAMA's commercial mandate and other mandates or considerations e.g. transparency, social dividend mandate, administrative law requirements and market-making functions.
- Distortion of competition.

7. Reputation risks

- That NAMA would not be perceived to be carrying out its mandate in a commercial manner; that it would be considered cumbersome, bureaucratic and subject to excessive regulation and oversight; that it was incapable of responding with agility to market opportunities.
- Hard cases: NAMA, while acting commercially, might be perceived as being strong-armed in its dealings with some borrowers.

NAMA, as soon as possible after its establishment, will compile and maintain a comprehensive Risk Register which will enumerate the various risks to which it will be exposed and the controls and risk mitigation measures that will be in place to address them. Other than those outlined above, significant risks to be addressed will include IT risks (e.g. unauthorised access to NAMA systems and data, data integrity, personal data and customer confidentiality etc.), treasury risks (interest rate and currency exposure) and various operational risks such as banks and service providers not carrying out their functions in an agreed manner.

8. Staff

The recruitment of key senior staff with requisite experience, knowledge, good standing and reputation will be one of the key issues facing the NAMA Board and the NTMA. Failure to attract high calibre staff would have a detrimental effect on NAMA in terms of how successfully it could achieve its statutory policy objectives and in terms of its reputation as a commercial entity.

APPENDIX 1 - NAMA Draft Organisation Chart – reporting to NAMA Board with staff and support services to be provided by NTMA

NAMA Chief Executive

Head of Credit & Risk
(10-12 staff)

Responsibilities:

Enterprise-wide risk management including:

Credit Risk

Treasury Risk

Operational Risk

Head of Portfolio Management
(25-30 staff)

Senior Portfolio Managers (11)

Senior Asset Managers (12)

Responsibilities:

Asset strategy and management, including workout and disposal

Management of borrower exposures

Property management

Outsourced Services:

Asset Workout

Valuers

Planning Consultants

Project Managers

Head of Banking / Lending
(12-14 staff)

Senior Loan Managers (10) and Derivatives Manager (11)

Responsibilities:

Management of loan portfolio, including restructuring

Management of derivative positions

Management of bank relationships

Head of Business Services
(10-12 staff)

Responsibilities:

Portfolio valuations

MIS

Finance

Budgeting & Statutory Reporting

Strategic Planning

Performance Management (KPIs)

Information/Public Relations

NAMA Tenders

NAMA Committees

Controls and Procedures

Secretary to Board

Outsourced Services:

Master Servicing

Head of Legal & Tax
(5 staff)

Responsibilities:

Management of legal, tax, reputational and regulatory risks

Loan / Asset Transfers

Group Structure and Tax

Tax Compliance

Procurement

Advice re asset management and disposal

Litigation and insolvency

Appendix 2 – NAMA Valuation and Loan Transfer Process