

30 June 2010

Mr. Brian Lenihan T.D.,  
Minister for Finance,  
Department of Finance,  
Upper Merrion Street,  
Dublin 2.

**Section 55 Quarterly Report (NAMA Act 2009) & Quarterly Financial  
Statements**

Dear Minister,

Please find enclosed the Quarterly Financial Statements and Section 55 Quarterly Report as at the 31<sup>st</sup> of March 2010.

The Quarterly Report sets out the information required under Section 55 of the NAMA Act 2009. The Quarterly Financial Statements contain a Statement of Income and Expenditure, a Balance Sheet and Notes to the Accounts for the National Asset Management Agency (NAMA) and each NAMA Group Entity.

We trust the reports meet the requirements of Section 55 of the Act and any specific direction or guidelines issued by you as Minister for Finance. If you have any queries in this regard please do not hesitate to contact us.

Yours sincerely,



**Mr. Frank Daly,  
Chairman**



**Mr. Brendan McDonagh,  
Chief Executive Officer**



# NAMA QUARTERLY REPORT

(Section 55 NAMA Act 2009)

31st of March 2010

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30 June 2010

Mr. Brian Lenihan T.D.,  
Minister for Finance,  
Department of Finance,  
Upper Merrion Street,  
Dublin 2.

### **Section 55 Quarterly Report - NAMA Act 2009**

Dear Minister,

Please find attached the March 2010 Quarterly Report pursuant to Section 55 of the NAMA Act 2009. The report covers the period from the 21<sup>st</sup> of December 2009 (Establishment Day) to the 31<sup>st</sup> of March 2010 and in accordance with the Act it deals with the National Asset Management Agency (NAMA) and the entities within the NAMA Group. As you are aware, this is the first Quarterly Report to be produced by the National Asset Management Agency and we would draw your attention to the following matters to assist in your review of its contents:

- NAMA has been in existence since the 21<sup>st</sup> of December 2009. While the Quarterly Report covers the period to the 31<sup>st</sup> of March 2010 it is important to note some of the milestones that have been reached in the six months since inception. The NAMA Group structure was put in place with the establishment of the Agency and six associated companies. The NAMA Board and Executive team were appointed and the appropriate governance committees have been instituted. To date, approximately half of NAMA's staffing requirements have been successfully filled.
- NAMA completed the transfer of the first tranche of eligible loan assets from Participating Institutions in May 2010. €15.3 billion of loans were acquired for a consideration of €7.7 billion paid in the form of Government Guaranteed and Subordinated Debt Securities. The overall discount applied to Tranche 1 was 50%. The transfer of the second tranche is due to commence in early July.
- The Quarterly Report for March 2010 represents NAMA's position as at the 31<sup>st</sup> of March 2010. On the 29<sup>th</sup> of March, a total of €814 million loans were acquired from EBS Building Society and Irish Nationwide Building Society for a consideration of €371 million representing a discount of 54%.



- On the 29th of March, National Asset Management Ltd (the Master SPV) issued €352 million in Government Guaranteed Floating Rate Notes and €19 million in Callable Perpetual Subordinated Bonds as consideration for eligible assets acquired from EBS Building Society and Irish Nationwide Building Society.
- The Abridged Balance Sheet(s) and Income\Expenditure items included in the Quarterly Report are as stated in the Quarterly Financial Statements and more information is available in the Notes to the Accounts. The accounts for the National Asset Management Ltd (the Master SPV) as the consolidating entity represent the primary activity of the NAMA Group.
- The accounts for National Asset Management Ltd (the Master SPV) record a loss of €7 million for the first quarter of 2010. To put this number into context, it should be noted that interest income was generated over a two day period in the first quarter of 2010 from a relatively small portfolio of loans (€814 million nominal) as the eligible assets were acquired on the 29<sup>th</sup> of March 2010. Also, this quarter includes set-up and administration costs incurred to get NAMA operational prior to the commencement of the asset acquisition process at the end of March 2010. This is not representative of the position that will apply over a full year. As later loan tranches are acquired by NAMA, the amount of interest income will increase to offset interest costs and expenses.
- The first Quarterly Report contains a number of 'Nil Returns'. It is anticipated that these returns will be populated with information as NAMA moves through its life cycle.

We trust the Quarterly Report meets the requirements of Section 55 of the Act and any specific direction or guidelines issued by you as Minister for Finance. If you have any queries in this regard please do not hesitate to contact us.

Yours sincerely,

**Mr. Frank Daly,**  
**Chairman**

**Mr. Brendan McDonagh,**  
**Chief Executive Officer**

## 2. BOARD AND OTHER INFORMATION

### Board

Frank Daly (Chairman)	appointed 22 December 2009
Michael Connolly	appointed 22 December 2009
Eilish Finan	appointed 22 December 2009
Brian McEnery	appointed 22 December 2009
Steven Seelig	appointed 26 May 2010
Willie Soffe	appointed 22 December 2009
Peter Stewart	appointed 22 December 2009
Brendan McDonagh	Chief Executive National Asset Management Agency
John Corrigan	Chief Executive National Treasury Management Agency

### Office

Treasury Building  
Grand Canal Street  
Dublin 2

### Bankers

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
IFSC  
Dublin 1

### Auditors

Comptroller & Auditor General  
Dublin Castle  
Dublin 2

### **3. INTRODUCTION AND GENERAL INFORMATION**

#### **General Information**

The proposed creation of the National Asset Management Agency (NAMA) was announced in the Minister for Finance's Supplementary Budget on 7 April 2009 and the National Asset Management Agency Act (the "Act") was passed in November 2009.

The Act established NAMA as a separate statutory body, with its own Board and Chief Executive, appointed by the Minister operating under the aegis of the National Treasury Management Agency (the "NTMA").

In order to achieve its objectives, NAMA may establish special purpose vehicles. NAMA has established a number of special purpose vehicles.

National Asset Management Limited (Master SPV) is responsible for issuing the Government guaranteed debt instruments to be used for the purposes of acquiring eligible bank assets. It also issues the subordinated debt instruments which are used to provide up to 5% of the acquisition value of acquired bank assets.

National Asset Management Agency Investment Ltd (Investment Holding Company) was established to facilitate the participation of private investors in NAMA. It is the sole member of Master SPV.

Master SPV has a number of operational subsidiaries. National Asset Management Group Services Limited is the holding company for the three subsidiaries; National Asset Loan Management Limited, National Asset Property Management Limited and National Asset Management Services Limited. Its sole shareholder is National Asset Management Limited.

National Asset Loan Management Limited is responsible for the acquisition, holding and management of the eligible bank assets acquired from the participating institutions.

National Asset Property Management Limited is the vehicle that will take direct ownership of real property assets where required. There is no property held by the Group at present.

National Asset Management Services Limited is responsible for tax administration and operating bank accounts for the Group. It also acts as the central invoice processor.

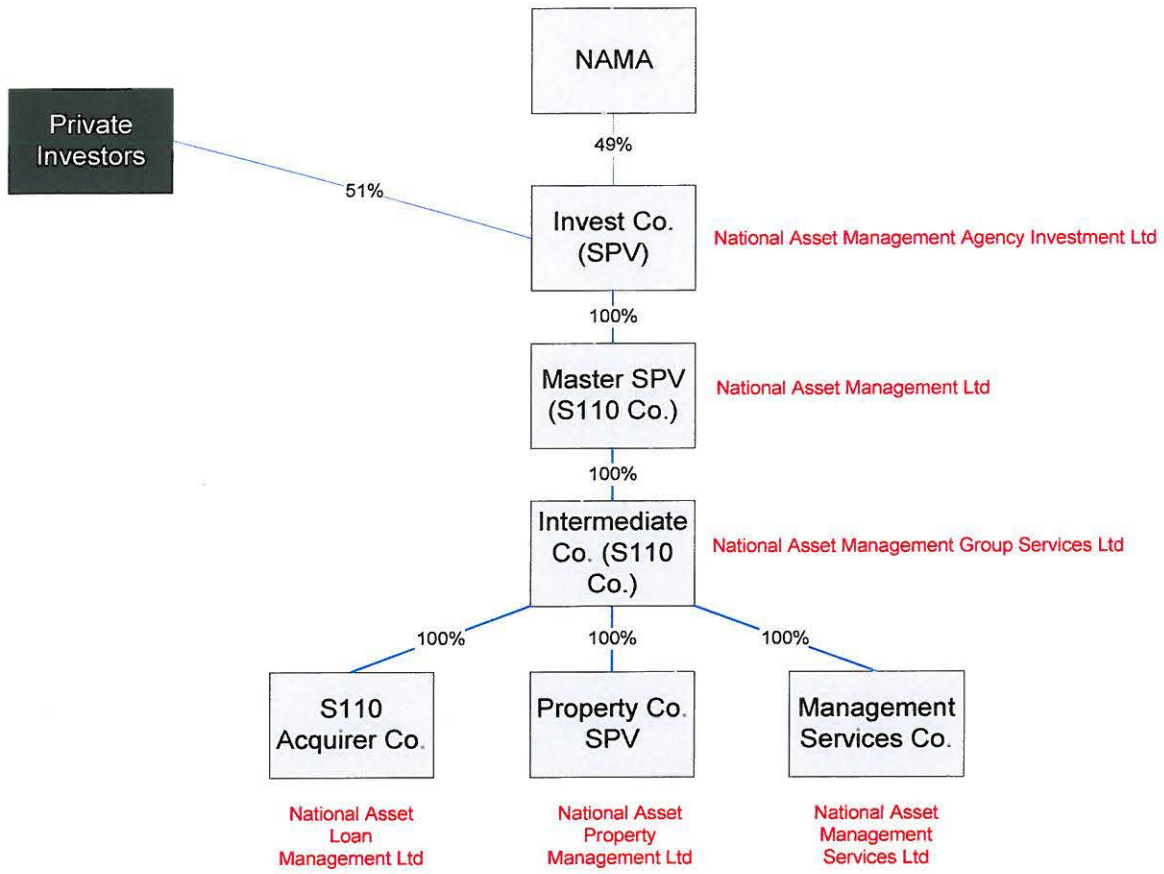
The NTMA provides NAMA with business and support services, and will assign staff to NAMA as deemed necessary. NAMA reimburses the NTMA for the costs of staff and services provided.

#### **Quarterly Report**

NAMA is required to submit a quarterly report to the Minister of Finance in accordance with section 55 of the Act.

4. SHAREHOLDING STRUCTURE

# Shareholding Structure





**5. SECTION 55 (5) - GUIDELINES & DIRECTIONS ISSUED BY THE MINISTER OF FINANCE**

**Compliance with Guidelines Issued by the Minister under Section 13 as at 31st March 2010**

No guidelines issued

**Compliance with Directions Issued by the Minister under Section 14 as at 31st March 2010**

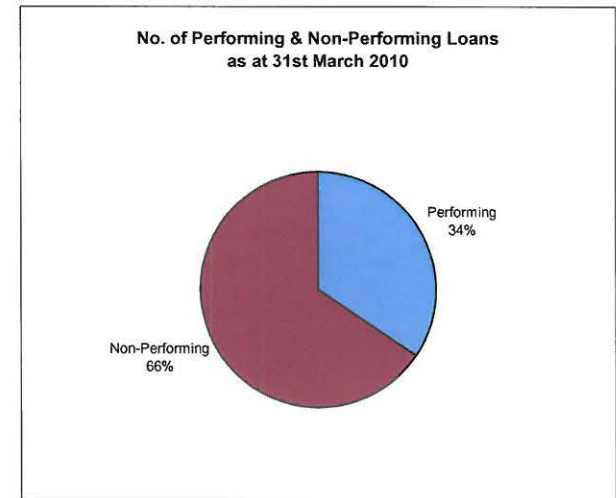
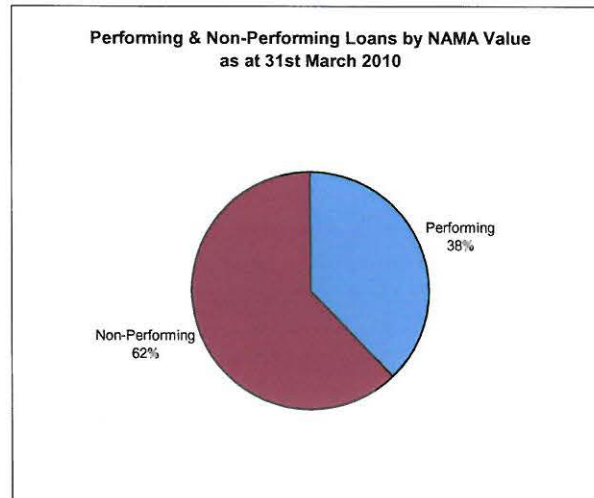
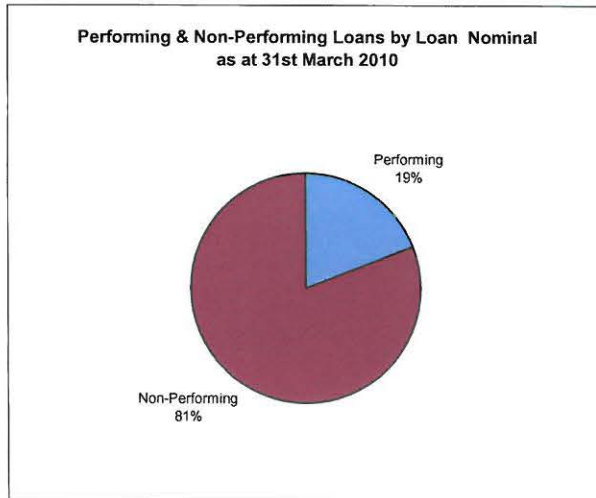
No directions issued

6. SECTION 55 (6) (A) - NUMBER AND CONDITION OF OUTSTANDING LOANS

Outstanding loans as at 31st March 2010

Classification	Number	Loan Nominal €m	NAMA Value €m
Performing	30	156	140
Non-Performing	57	658	231
<b>Total</b>	<b>87</b>	<b>814</b>	<b>371</b>

The condition of the outstanding loans are assessed using the credit grading system defined in the NAMA Credit Policy as approved by the Board of NAMA. Appendix 1 is an extract from the Policy and details the methodology used to assign credit grades to the loans

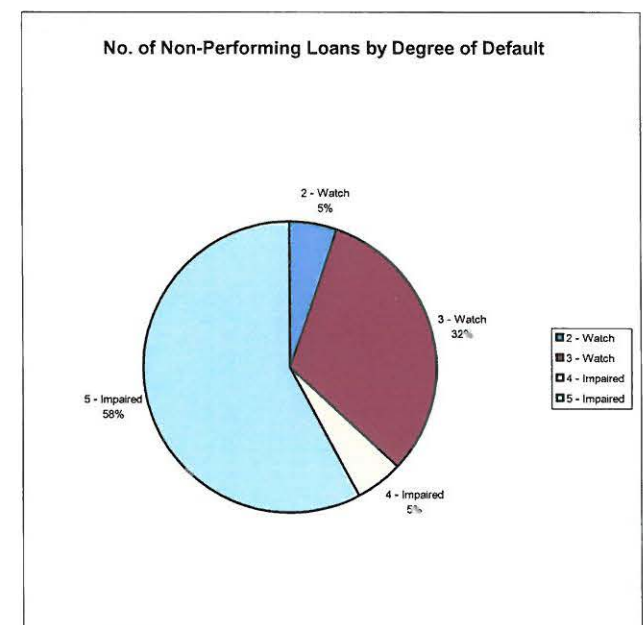
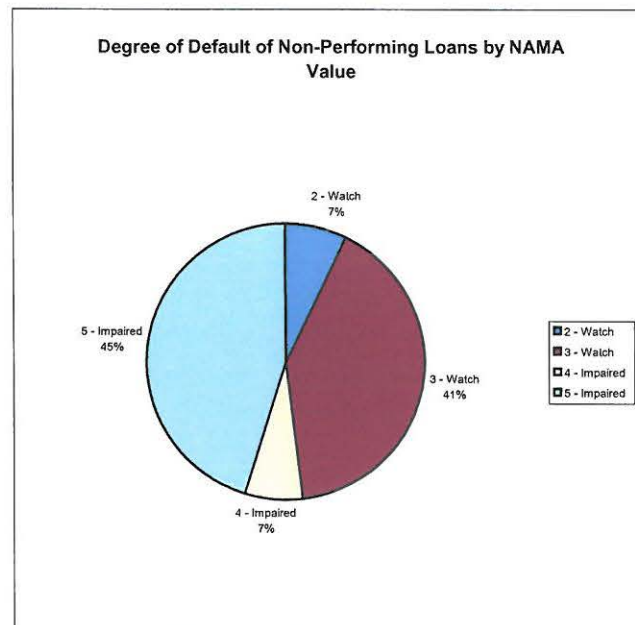
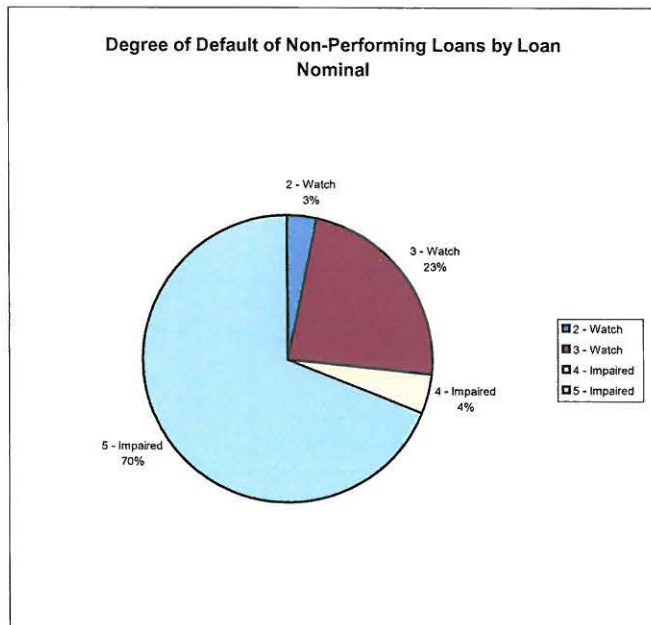


## 7. SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT

Categorisation of non performing loans in accordance with the NAMA Credit Policy

NAMA Credit Grade	Delegated Authority	Number	Loan	NAMA
			Nominal €m	Value €m
2	Watch	3	22	17
3	Watch	18	153	94
4	Impaired	3	29	15
5	Impaired	33	454	105
<b>Total</b>		<b>57</b>	<b>658</b>	<b>231</b>

The condition of the outstanding loans are assessed using the credit grading system defined in the NAMA Credit Policy as approved by the Board of NAMA. Appendix 1 is an extract from the Policy and details the methodology used to assign credit grades to the loans



## 8. SECTION 55 (6) (C) - NUMBER OF LOANS BEING FORECLOSED OR OTHERWISE ENFORCED

Number of loans foreclosed up to 31st March 2010

Classification	Number	Loan Nominal €m	NAMA Value €m
Foreclosed	Nil	Nil	Nil
Otherwise enforced	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

The first transfer of eligible bank assets to NAMA took place on the 29th of March 2010 in respect of EBS and INBS. No foreclosures or other enforcements occurred in the period to the 31st of March 2010.

## 9. SECTION 55 (6) (D) - NUMBER OF CASES WHERE LIQUIDATORS AND RECEIVERS HAVE BEEN APPOINTED

Number of cases where receivers and liquidators have been appointed up to 31st March 2010

<b>Classification</b>	<b>Number</b>	<b>Loan Nominal €m</b>	<b>NAMA Value €m</b>
Liquidators	Nil	Nil	Nil
Receivers	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

The first transfer of eligible bank assets to NAMA took place on the 29th of March 2010 in respect of EBS and INBS. No liquidators or receivers were appointed in the period to the 31st of March 2010.

**10. SECTION 55 (6) (E) - NUMBER OF LEGAL PROCEEDINGS COMMENCED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER**

**List of all legal proceedings (except any proceeding in relation to which a rule of law prohibits publication)**

<b>Proceeding</b>	<b>Title</b>	<b>Parties to the proceeding</b>	<b>Relief sought by NAMA or the NAMA group entity</b>
None	None	None	None

The first transfer of eligible bank assets to NAMA took place on the 29th of March 2010 in respect of EBS and INBS. No legal proceedings commenced in the period to the 31st of March 2010.

11. SECTION 55 (6) (F) - SCHEDULE OF FINANCE RAISED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER

Schedule of finances raised by NAMA & each NAMA group entity up to 31 March 2010

Description	Date	€m
<b>National Asset Management Agency Investment Limited</b>		
Purchase of Share Capital - NAMA (Funded by the Central Fund)	29 March 2010	49
Purchase of Share Capital - Private Institutional Investors	29 March 2010	51
<b>Total</b>		<b>100</b>

12. SECTION 55 (6) (G) - SUMS RECOVERED FROM PROPERTY SALES IN THE QUARTER

Amount of money recovered by sale of property up to 31st March 2010

Description	Date	€m
None	None	Nil
<b>Total</b>		<b>Nil</b>



13. SECTION 55 (6) (H) - OTHER INCOME FROM INTEREST-BEARING LOANS OWNED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER

Other income from interest bearing loans up to 31st March 2010

Description	Date	€m
National Asset Management Agency (NAMA)	N/A	Nil
National Asset Management Agency Investment Limited	N/A	Nil
National Asset Management Limited (Master SPV - Consolidated) - NOTE 1	N/A	Nil

**NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity**

Description	Date	€m
National Asset Loan Management Limited	N/A	Nil
National Asset Property Management Limited	N/A	Nil
National Asset Management Services Limited	N/A	Nil
National Asset Management Group Services Limited	N/A	Nil
National Asset Management Limited	N/A	Nil

14. SECTION 55 (6) (I) - ABRIDGED BALANCE SHEET OF NAMA AND EACH NAMA GROUP ENTITY

Abridged Balance Sheet as at 31st March 2010

<b>National Asset Management Agency (NAMA)</b>		<b>€'000</b>
<b>Assets</b>		
Investments		49,000
Cash		-
Other receivables		2,195
<b>Total assets</b>		<b>51,195</b>
<b>Liabilities</b>		
Loans		49,008
Accruals		2,313
<b>Total liabilities</b>		<b>51,321</b>
<b>Net liabilities</b>		<b>(126)</b>

<b>National Asset Management Agency Investment Limited</b>		<b>€'000</b>
<b>Assets</b>		
Investments		0
Cash		-
Intercompany loans and receivables		100,033
<b>Total assets</b>		<b>100,033</b>
<b>Liabilities</b>		
		<b>0</b>
<b>Equity</b>		
Share Capital		10,000
Share premium		90,000
Retained earnings		33
<b>Total equity and liabilities</b>		<b>100,033</b>

<b>National Asset Management Limited (Master SPV - Consolidated) - NOTE 1</b>		<b>€'000</b>
<b>Assets</b>		
Cash		100,437
Receivable from Participating Institutions		2,076
Loans and receivables		371,016
Other assets		14,374
<b>Total assets</b>		<b>487,903</b>
<b>Liabilities</b>		
Interest Bearing Loans and Borrowings		-
Derivative Financial Instruments		1,353
Debt Securities in Issue		352,000
Provisions		-
Current income tax liabilities		-
Deferred income tax liabilities		-
Other liabilities		122,591
<b>Total liabilities</b>		<b>475,944</b>
<b>Equity</b>		
Share Capital		19,000
Retained earnings		(7,041)
<b>Total equity and liabilities</b>		<b>11,959</b>

14. SECTION 55 (6) (I) - CONTINUED

**NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity**

National Asset Loan Management Limited	€'000
<b>Assets</b>	
Cash	-
Receivable from Participating Institutions	2,076
Loans and receivables	371,016
Other assets	14,818
<b>Total assets</b>	<b>387,910</b>
<b>Liabilities</b>	
Interest Bearing Loans and Borrowings	-
Derivative Financial Instruments	1,353
Debt Securities in Issue	-
Provisions	-
Current income tax liabilities	-
Deferred income tax liabilities	-
Other liabilities	393,537
<b>Total liabilities</b>	<b>394,890</b>
<b>Equity</b>	
Share Capital	0
Retained earnings	(6,980)
<b>Total equity and liabilities</b>	<b>(6,980)</b>

National Asset Property Management Limited	€'000
<b>Assets</b>	
<b>Total assets</b>	<b>Nil</b>
<b>Liabilities</b>	
<b>Total liabilities</b>	<b>Nil</b>
<b>Equity</b>	
<b>Total equity and liabilities</b>	<b>Nil</b>

14. SECTION 55 (6) (I) - CONTINUED

National Asset Management Services Limited	€'000
<b>Assets</b>	
Cash	100,437
Receivable from Participating Institutions	-
Loans and receivables	-
Other assets	7
<b>Total assets</b>	<b>100,444</b>
<b>Liabilities</b>	
Interest Bearing Loans and Borrowings	-
Derivative Financial Instruments	-
Debt Securities in Issue	-
Provisions	-
Current income tax liabilities	-
Deferred income tax liabilities	-
Other liabilities	100,444
<b>Total liabilities</b>	<b>100,444</b>
<b>Equity</b>	
Share Capital	0
Retained earnings	-
<b>Total equity and liabilities</b>	<b>0</b>

National Asset Management Group Services Limited	€'000
<b>Assets</b>	
Cash	-
Receivable from Participating Institutions	-
Loans and receivables	-
Other assets	371,000
<b>Total assets</b>	<b>371,000</b>
<b>Liabilities</b>	
Interest Bearing Loans and Borrowings	-
Derivative Financial Instruments	-
Debt Securities in Issue	-
Provisions	-
Current income tax liabilities	-
Deferred income tax liabilities	-
Other liabilities	371,000
<b>Total liabilities</b>	<b>371,000</b>
<b>Equity</b>	
Share Capital	0
Retained earnings	-
<b>Total equity and liabilities</b>	<b>0</b>

14. SECTION 55 (6) (I) - CONTINUED

National Asset Management Limited	€'000
<b>Assets</b>	
Cash	-
Receivable from Participating Institutions	-
Loans and receivables	-
Other assets	470,900
<b>Total assets</b>	<b>470,900</b>
<b>Liabilities</b>	
Interest Bearing Loans and Borrowings	-
Derivative Financial Instruments	-
Debt Securities in Issue	352,000
Provisions	-
Current income tax liabilities	-
Deferred income tax liabilities	-
Other liabilities	99,961
<b>Total liabilities</b>	<b>451,961</b>
<b>Equity</b>	
Share Capital	19,000
Retained earnings	(61)
<b>Total equity and liabilities</b>	<b>18,939</b>

15. SECTION 55 (6) (J) - SCHEDULE OF INCOME AND EXPENDITURE OF NAMA AND EACH NAMA GROUP ENTITY

Income and expenditure Statement up to 31st March 2010

National Asset Management Agency (NAMA)		€'000
<b>Income</b>		
Costs receivable from National Asset Management Limited	2,195	
	<u>2,195</u>	
<b>Expenditure</b>		
Service charges payable to the NTMA	(2,195)	
Board Fees	(118)	
Interest payable on advances from the Central Fund	(8)	
	<u>(2,321)</u>	
<b>Net Profit(Loss)</b>		<u>(126)</u>

National Asset Management Agency Investment Limited		€'000
<b>Income</b>		
Interest on inter-company loans	33	
	<u>33</u>	
<b>Expenditure</b>		
		Nil
<b>Net Profit(Loss)</b>		<u>33</u>

National Asset Management Limited (Master SPV - Consolidated) - NOTE 1		€'000
<b>Income</b>		
Loans and advances to customers	58	
Release of prepaid acquisition costs	8,971	
	<u>9,029</u>	
<b>Expenditure</b>		
Interest on Debt Securities in issue	(28)	
Interest on Interest bearing loans and borrowings	(33)	
Secondment costs	(2,450)	
Service charges payable to NTMA	(2,195)	
Master and Primary Servicer Fees	(1,040)	
Legal and Tax fees	(306)	
Financial Advisor fees	(242)	
Due Diligence Costs for Loan Acquisitions	(8,971)	
Foreign exchange losses	548	
Unrealised loss on derivatives designated at fair value	(1,353)	
	<u>(16,070)</u>	
<b>Net Profit(Loss)</b>		<u>(7,041)</u>

15. SECTION 55 (6) (J) - CONTINUED

<b>NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity</b>	
<b>National Asset Loan Management Limited</b>	<b>€'000</b>
<b>Income</b>	
Interest on loans and advances to customers	58
Release of prepaid acquisition costs	8,971
	9,029
<b>Expenditure</b>	
Secondment Costs	(2,450)
Service charges payable to NTMA	(2,195)
Master & Primary Servicer Fees	(1,040)
Legal & Tax Fees	(306)
Financial Advisor Fees	(242)
Due Diligence Costs for Loan Acquisitions	(8,971)
Foreign Exchange losses	548
Unrealised loss on derivatives designated at fair value	(1,353)
	(16,009)
<b>Net Profit(Loss)</b>	(6,980)
<b>National Asset Property Management Limited</b>	<b>€'000</b>
<b>Income</b>	Nil
<b>Expenditure</b>	Nil
<b>Net Profit(Loss)</b>	Nil
<b>National Asset Management Services Limited</b>	<b>€'000</b>
<b>Income</b>	Nil
<b>Expenditure</b>	Nil
<b>Net Profit(Loss)</b>	Nil
<b>National Asset Management Group Services Limited</b>	<b>€'000</b>
<b>Income</b>	Nil
<b>Expenditure</b>	Nil
<b>Net Profit(Loss)</b>	Nil
<b>National Asset Management Limited</b>	<b>€'000</b>
<b>Income</b>	Nil
<b>Expenditure</b>	
Interest Expense - Debt Securities in issue	(28)
Interest Expense - Interest bearing loans and borrowings	(33)
	(61)
<b>Net Profit(Loss)</b>	(61)

16. UPDATED SCHEDULE OF ALL INFORMATION DESCRIBED IN SECTION 54 (2) AND (3)

(i) Section 54 (2) - Administration Fees and Expenses incurred by NAMA and each NAMA Group Entity

Administration fees & expenses until 31st March 2010

<b>National Asset Management Agency (NAMA)</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses:</b>		
Service charges payable to the NTMA - NOTE 2		2,195
Board Fees		118
		2,313

<b>National Asset Management Agency Investment Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses</b>		Nil

<b>National Asset Management Limited (Master SPV - Consolidated) - NOTE 1</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses:</b>		
Secondment Costs		2,450
Service charges payable to NTMA - NOTE 2		2,195
Master & Primary Servicer Fees		1,040
Legal & Tax Fees		306
Financial Advisor Fees		242
		6,233

**NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity**

<b>National Asset Loan Management Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses:</b>		
Secondment Costs		2,450
Service charges payable to NTMA		2,195
Master & Primary Servicer Fees		1,040
Legal & Tax Fees		306
Financial Advisor Fees		242
		6,233

<b>National Asset Property Management Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses</b>		Nil

<b>National Asset Management Services Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses</b>		Nil

<b>National Asset Management Group Services Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses</b>		Nil

<b>National Asset Management Limited</b>		<b>€'000</b>
<b>Administration Fees &amp; Expenses</b>		Nil

**NOTE 2 - Service charges payable to the NTMA**

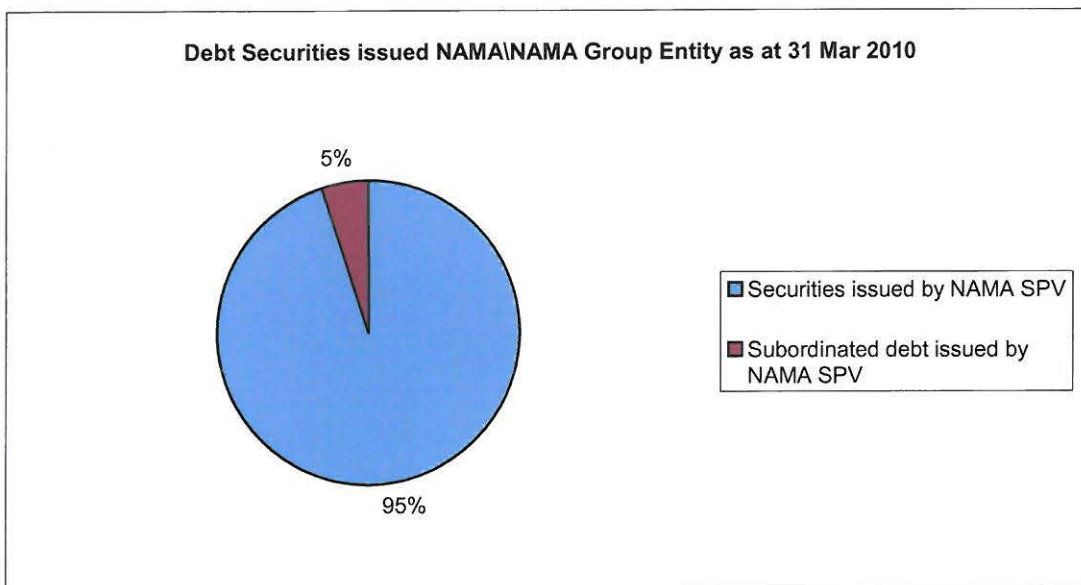
Service charges payable to the NTMA are paid by NAMA on behalf of National Asset Management Ltd. Both parties recognise the expense for which NAMA will be refunded by National Asset Management Ltd.



*(ii) Section 54 (3) (a) - List of Debt Securities Issued for the Purposes of the Act*

**List of debt securities issued by NAMA or a NAMA Group Entity at 31st March 2010**

Description	€m
Securities issued by NAMA SPV	352
Subordinated debt issued by NAMA SPV	19
<b>Total</b>	<b>371</b>

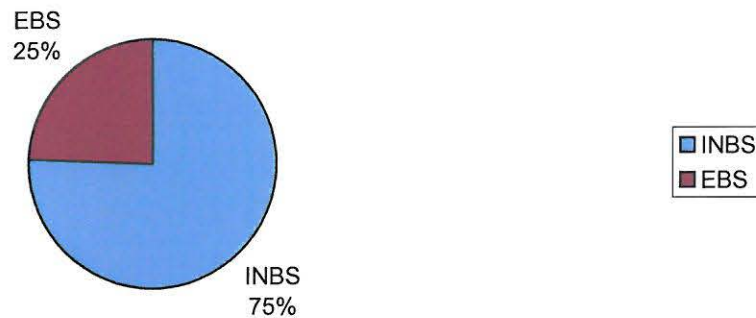


*(iii) Section 54 (3) (b) - List of Debt Securities Issued to/Redeemed by Participating Institution*

List of debt securities issued by NAMA or a NAMA Group Entity per participating institution at 31st March 2010

Participating Institution	Issued €m	Redeemed €m	Outstanding €m
AIB	0	0	0
BOI	0	0	0
Anglo	0	0	0
INBS	280	0	280
EBS	91	0	91
<b>Total</b>	<b>371</b>	<b>0</b>	<b>371</b>

**Debt Securities issued by NAMA\NAMA Group Entity per Participating Institution as at 31 Mar 2010**



*(iv) Section 54 (3) (c) - Advances made to NAMA from the Central Fund*

Advances made to NAMA from the Central Fund until 31st March 2010

Description	Date	€m
To fund investment in holding company <i>National Asset Management Agency Investment Limited</i>	26 March 2010	49
<b>Total</b>		<b>49</b>

(v) Section 54 (3) (d) - Advances made by NAMA and each NAMA Group Entity

Advances made by NAMA and each NAMA group entity until 31st March 2010

National Asset Management Agency (NAMA)	Date	€m
Advances	N/A	Nil

National Asset Management Agency Investment Limited	Date	€m
Advances:		
Loan to National Asset Management Limited	31 March 2010	99.9
Loan to National Asset Management Services Limited	31 March 2010	0.1
Total		<u>100</u>

National Asset Management Limited (Master SPV - Consolidated) - NOTE 1	Date	€m
Advances:		
Eligible loan assets acquired from EBS	29 March 2010	90.8
Eligible loan assets acquired from INBS	29 March 2010	280.2
Total		<u>371.0</u>

**NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity**

National Asset Loan Management Limited	Date	€m
Advances:		
Eligible loan assets acquired from EBS	29 March 2010	90.8
Eligible loan assets acquired from INBS	29 March 2010	280.2
Total		<u>371.0</u>

National Asset Property Management Limited	Date	€m
Advances	N/A	Nil

National Asset Management Services Limited	Date	€m
Advances	N/A	Nil

National Asset Management Group Services Limited	Date	€m
Advances	N/A	Nil

National Asset Management Limited	Date	€m
Advances	N/A	Nil

(vi) Section 54 (3) (e) - List of Asset Portfolios held by NAMA and each NAMA Group Entity

List of asset portfolios held by NAMA and each NAMA group entity as at 31st March 2010

Entity	Description	€m
National Asset Management Agency (NAMA)	Investments - 49,000,000 €0.1 A shares in National Asset Management Agency Investment Limited	49
	Other Receivables - National Asset Management Limited in respect of NTMA services charges	2.2
	Total	51.2

Entity	Description	€m
National Asset Management Agency Investment Limited	Investments - 100 €1.00 A ordinary shares in National Asset Management Limited	0.0
	Loan to National Asset Management Limited	99.9
	Loan to National Asset Management Services Limited	0.1
	Intercompany loans and receivables - Accrued Interest	0.0
	Total	100.0

Entity	Description	€m
National Asset Management Limited (Master SPV - Consolidated) - NOTE 1	Cash	100.4
	Receivable from Participating Institutions	2.1
	Acquired eligible loan assets (EBS)	90.8
	Acquired eligible loan assets (INBS)	280.2
	Other Assets - Due Diligence cost receivable from BOI, AIB & Anglo	14.4
	Total	487.9

(vi) Section 54 (3) (e) - CONTINUED

**NOTE 1 - Breakdown of Consolidated Master SPV by NAMA Group Entity**

Entity	Description	€m
<b>National Asset Loan Management Limited</b>	Receivable from Participating Institutions	2.1
	Acquired eligible loan assets (EBS)	90.8
	Acquired eligible loan assets (INBS)	280.2
	Other Assets - Due diligence receivables from Participating Institutions	14.4
	Other Assets - Intercompany Services	0.4
	<b>Total</b>	<b>387.9</b>

Entity	Description	€m
<b>National Asset Property Management Limited</b>	Other Assets	0.0

Entity	Description	€m
<b>National Asset Management Services Limited</b>	Cash	100.4
	Other Assets - Intercompany Services	0.0
	<b>Total</b>	<b>100.4</b>

Entity	Description	€m
<b>National Asset Management Group Services Limited</b>	Other Assets - Intercompany Loan (National Asset Loan Management Limited)	371.0

Entity	Description	€m
<b>National Asset Management Limited</b>	Other Assets - Intercompany Loans (National Asset Management Group Services Limited)	371.0
	Other Assets - Intercompany Loans (National Asset Management Services Limited)	99.9
	<b>Total</b>	<b>470.9</b>

(vii) Section 54 (3) (f) - List of Government Support Measures received by NAMA and each NAMA Group Entity

Government support measures received by NAMA & NAMA Group Entity as at 31st March 2010

Entity	Description	Amount Issued €m
National Asset Management Agency (NAMA)	None	Nil
National Asset Management Agency Investment Limited	None	Nil
National Asset Loan Management Limited	None	Nil
National Asset Property Management Limited	None	Nil
National Asset Management Services Limited	None	Nil
National Asset Management Group Services Limited	None	Nil
National Asset Management Limited	On the 26th of March 2010, the Minister of Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51,300,000,000	352
<b>Total</b>		<b>352</b>

## 17. APPENDIX 1 - Guidance for the NAMA Credit Grading System

### 23.1 Introduction

- 23.1.1 The purpose of this section is to detail the interim NAMA credit grading system which will be in place at the time of loan transfer. This grading system is intended to be used in the interim until such time that a more sophisticated system is deemed necessary and viable.
- 23.1.2 The objective and purpose of the grading system is to enable differentiation between loans/debtors, support decision processes related to resource allocation, and, at a high level, to track portfolio performance.
- 23.1.3 The grading system uses the percentage difference between the acquisition cost (with an estimated adjustment for the change in loan value since acquisition) and the face nominal value of the debtors loans (including (any) new money and repayments) to classify the loans and debtors at any point in time. This is known as a haircut<sup>6</sup>.
- 23.1.4 The advantage of this methodology for grading is that the loans and debtors can easily be graded on the day, or shortly thereafter, they are transferred to NAMA.
- 23.1.5 The following table sets out the haircut buckets that will apply and the grading definition that will be given to each bucket. The table also contains the classification of performing, watch and impaired for the purposes of the delegated authorities.
- 23.1.6 The debtor haircut is calculated using the sum of all acquisition costs (and adjustments for changes in loan value), and the sum of all loan values. Note that the haircut buckets may need recalibrating depending on the distribution of loans/debtors received.

Haircut	Loan Grade	Debtor Grade*	Delegated Authority
< 20%	1	A	Performing
20 – 30%	2	B	Watch
30 – 40%	3	C	Watch
40 – 50%	4	D	Impaired
> 50%	5	E	Impaired
Enforced	9	Z	Enforced

- 23.1.7 The debtors grade will be determined based on the weighted average haircut of all that debtors loans acquired by NAMA.
- 23.1.8 Loan grades and debtor grades can be upgraded or downgraded (by one step) by Credit officers following review where they feel that the current grade does not reflect the category the loan or debtor should be in. Circumstances under which this may occur include:
- 23.1.8.1 The level of adherence to loan covenants;
  - 23.1.8.2 The detail of information (if any) provided by the debtor;
  - 23.1.8.3 The accumulation of overdue payments; and
  - 23.1.8.4 The perceived risk of default in the foreseeable future.

<sup>6</sup> Haircut (%) = 1 - ((Acquisition Cost + est. change in value since acquisition) / (Face Value + New Money – Principal Repayments)). The estimated change in value since acquisition is determined through expert judgement.





**National Asset  
Management Agency**

**Quarterly Financial Statements for National Asset Management Agency and  
NAMA Group Entities**

**For the period ended 31 March 2010**

# National Asset Management Agency

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# National Asset Management Agency

## BOARD AND OTHER INFORMATION

### Board

Frank Daly (Chairman)	appointed 22 December 2009
Michael Connolly	appointed 22 December 2009
Eilish Finan	appointed 22 December 2009
Brian McEnery	appointed 22 December 2009
Steven Seelig	appointed 26 May 2010
Willie Soffe	appointed 22 December 2009
Peter Stewart	appointed 22 December 2009
Brendan McDonagh	Chief Executive National Asset Management Agency
John Corrigan	Chief Executive National Treasury Management Agency

### Office

Treasury Building  
Grand Canal Street  
Dublin 2

### Bankers

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
IFSC  
Dublin 1

### Auditors

Comptroller & Auditor General  
Dublin Castle  
Dublin 2

# National Asset Management Agency

## INTRODUCTION AND GENERAL INFORMATION

### General Information

The proposed creation of the National Asset Management Agency (NAMA) was announced in the Minister for Finance's Supplementary Budget on 7 April 2009 and the National Asset Management Agency, Act (the "Act") was passed in November 2009.

The Act established NAMA as a separate statutory body, with its own Board and Chief Executive, appointed by the Minister operating under the aegis of the National Treasury Management Agency (the "NTMA").

In order to achieve its objectives, NAMA may establish special purpose vehicles. NAMA has established a number of special purpose vehicles.

National Asset Management Limited (Master SPV) is responsible for issuing the Government guaranteed debt instruments to be used for the purposes of acquiring eligible bank assets. It also issues the subordinated debt instruments which are used to provide up to 5% of the acquisition value of acquired bank assets.

National Asset Management Agency Investment Ltd (Investment Holding Company) was established to facilitate the participation of private investors in NAMA. It is the sole member of Master SPV.

Master SPV has a number of operational subsidiaries. National Asset Management Group Services Limited is the holding company for the three subsidiaries; National Asset Loan Management Limited, National Asset Property Management Limited and National Asset Management Services Limited. Its sole shareholder is National Asset Management Limited.

National Asset Loan Management Limited is responsible for the acquisition, holding and management of the eligible bank assets acquired from the participating institutions.

National Asset Property Management Limited is the vehicle that will take direct ownership of real property assets where required. There is no property held by the Group at present.

National Asset Management Services Limited is responsible for tax administration and operating bank accounts for the Group. It also acts as the central invoice processor.

The NTMA provides NAMA with business and support services, and will assign staff to NAMA as deemed necessary. NAMA reimburses the NTMA for the costs of staff and services provided.

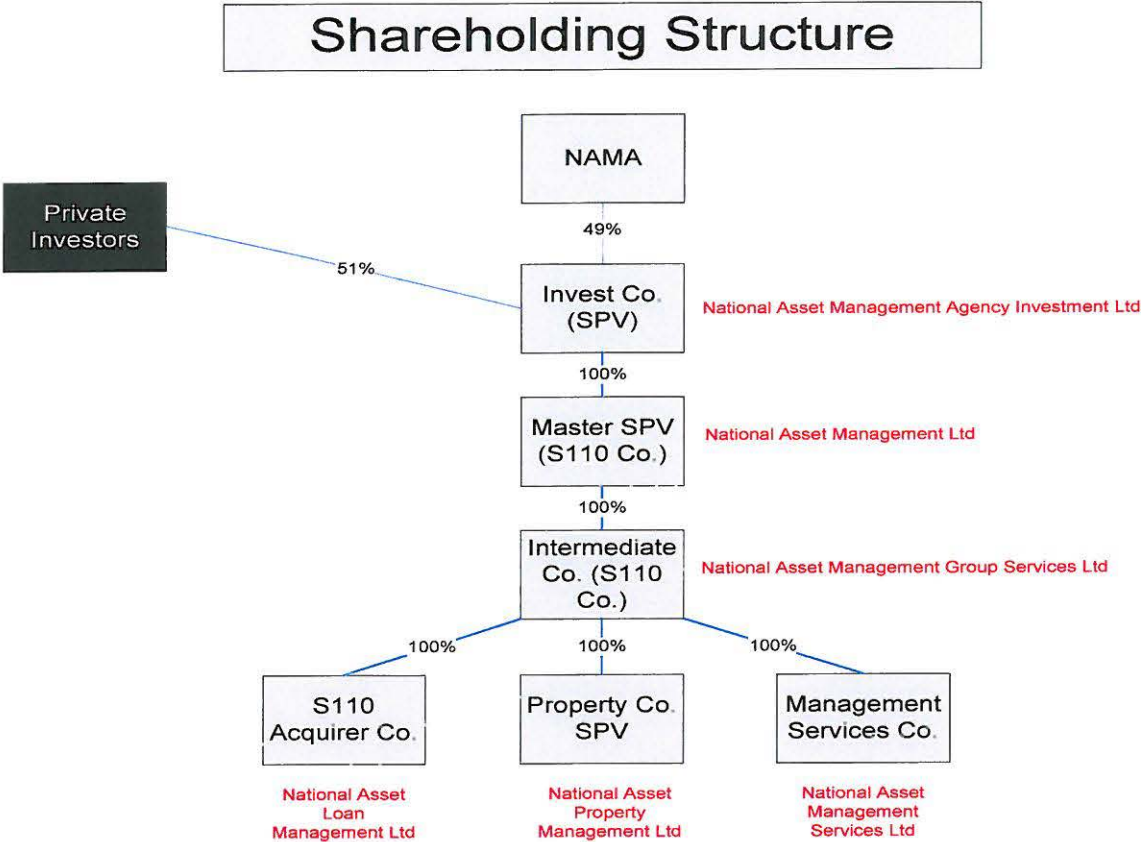
# National Asset Management Agency

## Quarterly Financial Information

NAMA is required to provide quarterly financial information in accordance with section 55 of the Act.

The financial information provided includes details of all NAMA group entities for the quarter to 31 March 2010, and includes financial statements for:

1. The National Asset Management Agency
2. National Asset Management Agency Investment Limited (the "Investment Holding Company")
3. Consolidated accounts of National Asset Management Limited (the "Master SPV")



# **National Asset Management Agency**

**Quarterly Financial Statements for the period to 31 March 2010 for the  
National Asset Management Agency**

# National Asset Management Agency

## Income and Expenditure Account

For the period from 21 December 2009 (date of establishment) to 31 March 2010

		For the period ended 31 March 2010 €'000
Income	Note 3	2,195
		<hr/>
		2,195
<b>Expenditure</b>		
Agency Costs	4	(2,313)
Interest and similar expenses	5	(8)
		<hr/>
<b>Net Expenditure for period</b>		<b>(126)</b>
		<hr/>

## Balance Sheet As at 31 March 2010

	Note	31 March 2010 €'000
<b>Assets</b>		
Investments	6	49,000
Cash		-
Other receivables	7	2,195
		<hr/>
<b>Total assets</b>		<b>51,195</b>
		<hr/>
<b>Liabilities</b>		
Loans	8	49,008
Accruals	9	2,313
		<hr/>
<b>Total liabilities</b>		<b>51,321</b>
		<hr/>
<b>Net liabilities</b>		<b>(126)</b>
		<hr/>

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

# National Asset Management Agency

## Notes to the Financial Statements

### 1 General Information

The National Asset Management Agency owns 49% of the NAMA group entity National Asset Management Agency Investment Limited. The remaining 51% of the shares in are held by institutional investors.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared on an accruals basis under the historical cost convention

#### 2.2 Reporting Currency

The financial statements are presented in euro (or €), which is NAMA's presentational currency. The figures shown in the financial statements are stated in thousands.

	2010 €'000
<b>3 Income</b>	
Costs receivable from National Asset Management Limited	2,195

### 4 Agency Costs

Costs reimburseable to the NTMA	2,195
NAMA Board Fees	118
	<u>2,313</u>

Under Section 42 (4) of the National Asset Management Agency Act, 2009, NAMA shall reimburse the NTMA for the costs incurred by the NTMA in consequence of its assigning staff to NAMA.

### 5 Interest and similar expenses

Interest payable on advances from the Central Fund	<u>8</u>
--	----------

### 6 Investments

49,000,000 €0.10 A shares in National Asset Management Agency Investment Limited	<u>49,000</u>
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### 7 Other Receivables

National Asset Management Limited	<u>2,195</u>
-----------------------------------	--------------



# National Asset Management Agency

## Notes to the Financial Statements

### 8 Loans

Advances to NAMA from the Central Fund in the period	49,000
Interest accrued on advances from the Central Fund	8
	<u>49,008</u>

Under Section 46 (2) of the National Asset Management Agency Act 2009 the Minister for Finance may advance to NAMA or a NAMA group entity such sums of money as are necessary for the performance of its functions from the Central Fund.

### 9 Accruals

Costs payable to the NTMA	2,195
NAMA Board Fees payable	118
	<u>2,313</u>

# **National Asset Management Agency Investment Limited**

**Quarterly Financial Statements for the period from 27 January 2010 to 31 March 2010**

# National Asset Management Agency Investment Limited

## National Asset Management Agency Investment Limited Income Statement

For the period from 27 January 2010 (date of incorporation) to 31 March 2010

		For the period ended 31 March 2010 €'000
Interest and similar income	Note 3	33
Interest and similar expenses		-
<b>Net interest income</b>		<b>33</b>
Income from investments		-
<b>Total Operating Income</b>		<b>33</b>
Administration expenses		-
Depreciation and amortisation expense		-
<b>Operating Profit before impairment charges on financial assets</b>		<b>33</b>
Impairment charges on loans and receivables		-
Impairment charges on available for sale financial assets		-
<b>Operating Profit before income tax</b>		<b>33</b>
Tax expense		-
<b>Profit for the period</b>		<b>33</b>

# National Asset Management Agency Investment Limited

## National Asset Management Agency Investment Limited Balance Sheet

As at 31 March 2010

	Note	31 March 2010 €'000
<b>Assets</b>		
Investments	4	0
Cash		-
Intercompany loans and receivables	5	100,033
<b>Total assets</b>		<b>100,033</b>
<b>Liabilities</b>		
		<b>0</b>
<b>Equity</b>		
Share Capital	6	10,000
Share premium	6	90,000
Retained earnings		33
<b>Total equity and liabilities</b>		<b>100,033</b>

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

# National Asset Management Agency Investment Limited

## Notes to the Financial Statements

### 1 General Information

National Asset Management Agency Investment Limited was established on 27 January 2010 as the ultimate parent company for the NAMA group of companies. On 29 March 2010, NAMA and the private investors subscribed a total of €100 million for A and B shares in the Company.

The National Asset Management Agency, owns 49% of the Company and the remaining 51% of the shares in the Company are held by institutional investors.

The National Asset Management Agency may exercise a veto power in respect of decisions of the Company relating to the interests or objectives of NAMA or the State or any action which may adversely affect the financial interests of NAMA or the State.

Its registered office is Treasury Building, Grand Canal Street, Dublin 2.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The Company's financial statements for the period to 31 March 2010 have been prepared under international generally accepted accounting principles.

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in euro (or €), which is the Company's presentational currency. The figures shown in the financial statements are stated in thousands.

#### 2.2 Income and Expenses

Income and expenses are recognised on an accruals basis

	2010 €'000
<b>3 Interest Income</b>	
Interest on inter-company loans	33
	<hr/>
	<b>33</b>

### 4 Investments

National Asset Management Agency Investment Limited holds 100 €1.00 ordinary shares in National Asset Management Limited representing 100% of the issued share capital.

# National Asset Management Agency Investment Limited

## Notes to the Financial Statements

### 5 Intercompany loans and receivables

	2010 €'000
Loan to National Asset Management Limited	99,900
Loan to National Asset Management Services Limited	100
Accrued Interest	33
	<u>100,033</u>

National Asset Management Agency Investment Limited issued a loan note of €99.9m to National Asset Management Limited at an interest rate of 4% to be reviewed annually.

### 6 Share capital

Number      €'000

At 31 March 2010

Authorised:

A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100

Issued and fully paid during the period:

A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Share Premium A Ordinary Shares		44,100
Share Premium B Ordinary Shares		45,900
	<u>100,000,000</u>	<u>100,000</u>

**National Asset Management Limited (Master SPV)**

**Quarterly Group Financial Statements for the period from 27 January 2010 to 31  
March 2010**

## National Asset Management Limited (Master SPV)

### National Asset Management Limited Consolidated Income Statement

For the period from 27 January 2010 (date of incorporation) to 31 March 2010

		For the period ended 31 March 2010 €'000
Interest and similar income	Note 3	58
Interest and similar expenses	4	(61)
<b>Net interest income</b>		<b>(3)</b>
Other operating income	5	8,971
<b>Total Operating Income</b>		<b>8,968</b>
Administration expenses	6	(6,233)
Depreciation and amortisation expense		-
Other operating expenses	7	(9,776)
<b>Operating Loss before impairment charges on financial assets</b>		<b>(7,041)</b>
Impairment charges on loans and receivables		-
<b>Operating Loss before income tax</b>		<b>(7,041)</b>
Tax expense		-
<b>Loss for the period</b>		<b>(7,041)</b>

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



## National Asset Management Limited (Master SPV)

### National Asset Management Limited Consolidated Balance Sheet

As at 31 March 2010

	Note	31 March 2010 €'000
<b>Assets</b>		
Cash		100,437
Receivable from Participating Institutions		2,076
Loans and receivables	8	371,016
Other assets	9	14,374
<b>Total assets</b>		<b>487,903</b>
<b>Liabilities</b>		
Interest Bearing Loans and Borrowings		-
Derivative Financial Instruments	10	1,353
Debt Securities in Issue	11	352,000
Provisions		-
Current income tax liabilities		-
Deferred income tax liabilities		-
Other liabilities	12	122,591
<b>Total liabilities</b>		<b>475,944</b>
<b>Equity</b>		
Share Capital	13	19,000
Retained earnings		(7,041)
<b>Total equity and liabilities</b>		<b>11,959</b>

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

## National Asset Management Limited (Master SPV)

### National Asset Management Limited Income Statement by NAMA group entity

For the period from 27 January 2010 (date of incorporation) to 31 March 2010

	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
Interest and similar income	58	-	-	-	-	-	58
Interest and similar expenses	-	-	-	-	(61)	-	(61)
<b>Net interest income</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>(3)</b>
Other operating income	8,971	-	-	-	-	-	8,971
<b>Total Operating Income</b>	<b>9,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>8,968</b>
Administration expenses	(6,233)	-	-	-	-	-	(6,233)
Other operating expenses	(9,776)	-	-	-	-	-	(9,776)
<b>Operating Loss before impairment charges on financial assets</b>	<b>(6,980)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>(7,041)</b>
Impairment charges on loans and receivables	-	-	-	-	-	-	-
<b>Operating Loss before income tax</b>	<b>(6,980)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>(7,041)</b>
Tax expense	-	-	-	-	-	-	-
<b>Loss for the period</b>	<b>(6,980)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>(7,041)</b>

## National Asset Management Limited (Master SPV)

### National Asset Management Limited Balance Sheet by NAMA group entity

For the period from 27 January 2010 (date of incorporation) to 31 March 2010

	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
<b>Assets</b>							
Cash	-	-	100,437	-	-	-	100,437
Receivable from Participating Institutions	2,076	-	-	-	-	-	2,076
Loans and receivables	371,016	-	-	-	-	-	371,016
Other assets	14,818	0	7	371,000	470,900	(842,351)	14,374
<b>Total assets</b>	<b>387,910</b>	<b>0</b>	<b>100,444</b>	<b>371,000</b>	<b>470,900</b>	<b>(842,351)</b>	<b>487,903</b>
<b>Liabilities</b>							
Interest Bearing Loans and Borrowings	-	-	-	-	-	-	-
Derivative Financial Instruments	1,353	-	-	-	-	-	1,353
Debt Securities in Issue	-	-	-	-	352,000	-	352,000
Provisions	-	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-	-
Deferred income tax liabilities	-	-	-	-	-	-	-
Other liabilities	393,537	-	100,444	371,000	99,961	(842,351)	122,591
<b>Total liabilities</b>	<b>394,890</b>	<b>-</b>	<b>100,444</b>	<b>371,000</b>	<b>451,961</b>	<b>(842,351)</b>	<b>475,944</b>
<b>Equity</b>							
Share Capital	0	0	0	0	19,000	0	19,000
Retained earnings	(6,980)	-	-	-	(61)	-	(7,041)
<b>Total equity and liabilities</b>	<b>(6,980)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,939</b>	<b>0</b>	<b>11,959</b>

# National Asset Management Limited (Master SPV)

## Notes to the Consolidated Financial Statements

### 1 General Information

The Company's immediate parent company is National Asset Management Agency Investment Limited. The Group is ultimately controlled through the existence of a public interest veto exercisable by the National Asset Management Agency, which owns 49% of the Group's immediate parent. The remaining 51% of the shares in the Group's parent company are held by institutional investors.

The address of its registered office is Treasury Building, Grand Canal Street, Dublin 2.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The Group's consolidated financial statements for the period to 31 March 2010 are presented under international generally accepted accounting principles.

The consolidated financial statements have been prepared under the historical cost convention, except for loans and receivables which are held at amortised cost, financial assets and financial liabilities held at fair value through profit or loss, all derivative contracts which have been measured at fair value.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

#### **Consolidation**

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all consolidated subsidiaries, including certain special purpose entities as of the period end date.

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

Unless otherwise stated, the Group has a 100% holding in all subsidiaries.

#### **Financial assets**

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The Group determines the classification of its financial instruments at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Group upon initial recognition designates as available for sale; or

## **National Asset Management Limited (Master SPV)**

### **Notes to the Consolidated Financial Statements**

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method.

For all financial instruments, the Group uses trade date accounting for regular contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

#### ***Financial liabilities***

The Group has two categories of financial liabilities – those that are carried at cost and those that are carried at fair value through the profit and loss. With the exception of derivative financial instruments, the Group has categorised all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are classified as held for trading and as a result carried at fair value through the profit and loss. Financial liabilities are derecognised when extinguished.

For all financial instruments, the Group uses trade date accounting for regular contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

#### ***Interest income and expense***

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest 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 effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

# National Asset Management Limited (Master SPV)

## Notes to the Consolidated Financial Statements

### *Derivative financial instruments and hedge accounting*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value gains or losses on derivatives are normally 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.

### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the requirements of IAS 39. The classification of instruments as a financial liability or an equity instrument is dependent upon the nature of the contractual arrangement. 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 share capital. The coupon payments on these instruments are recognised directly in equity.

### *Share capital*

#### *(a) Share issue costs*

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### *(b) Dividends on ordinary shares*

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

#### *(c) Subordinated equity instrument*

Equity includes perpetual subordinated bonds that meet the definition of an equity instrument. Coupon payments on these instruments are reflected directly in equity when they become due.

	2010 €'000
<b>3 Interest Income</b>	<b>58</b>
Loans and advances to customers	<u>58</u>
<b>4 Interest Expense</b>	
Debt Securities in issue	28
Interest bearing loans and borrowings	<u>33</u>
	<u>61</u>
<b>5 Other Income</b>	
Release of prepaid acquisition costs	<u>8,971</u>

**National Asset Management Limited (Master SPV)**  
**Notes to the Consolidated Financial Statements**

**6 Administrative expenses**

Secondment Costs	2,450
Costs reimbursable to NTMA	2,195
Master and Primary Servicer Fees	1,040
Legal & Tax Fees	306
Financial Adviser Fees	242
	<u>6,233</u>

Secondment costs were incurred during the quarter in relation to the provision by PricewaterhouseCoopers UK (PWC) of specialist personnel to work collaboratively with NAMA on key aspects of the set-up phase. These included certain codes of practice, credit policy and procedures, enforcement procedures, workout procedures, business plan review procedures and an operating primary servicing model for NAMA units in the participating institutions.

**7 Other operating expenses**

Due Diligence Costs for Loan Acquisitions	8,971
Foreign exchange (gains)/ losses on re-translation	(548)
Unrealised loss on derivatives designated at fair value	1,353
	<u>9,776</u>

**8 Loans and advances to customers**

	2010 €'000 Nominal	2010 €'000 NAMA
INBS – Loans acquired	670,293	280,222
EBS – Loans acquired	144,064	90,794
	<u>814,357</u>	<u>371,016</u>

**9 Other Receivables**

	2010 €'000
Due Diligence cost receivable from BOI, AIB & Anglo	<u>14,374</u>

**10 Derivative Financial Instruments**

The Group has entered certain foreign currency swaps to hedge the value loans it has acquired. These foreign currency swaps have been valued at their fair market value through the income statement, as due to the uncertainty in the cashflows from the underlying loans hedge accounting has not been applied.

**National Asset Management Limited (Master SPV)**  
**Notes to the Consolidated Financial Statements**

**11 Debt Securities in issue**

	INBS €'000	EBS €'000	Total €'000
In issue at the start of the period	-	-	-
€ Floating rate notes, due 2011 – 6 months Euribor issued on 29 March 2010	266,000	86,000	352,000
In issue at the end of the period	<u>266,000</u>	<u>86,000</u>	<u>352,000</u>

The above are all Government Guaranteed Floating Rate Notes that were issued as part consideration (95%) of the acquired loan portfolio from the participating institutions. Interest resets to the prevailing market interest rate on the notes every 6 months.

Notes will be issued on each acquisition date and on each maturity date if the issuer elects to physically settle existing Notes with new Notes. Any new such Notes will be issued on the same terms as the existing Notes at prevailing market interest rates.

The Notes may be issued with an extendable maturity at the option of the Issuer, which extension may be exercised upon not less than 30 business days notice to holders. As the Notes maturity can only be extended at the prevailing market interest rate at the time of the extension, the option to extend is clearly and closely related to the host contract (the Floating Rate Notes), and as such is not separated and separately measured.

**12 Other liabilities**

	2010 €'000
Prepayment of acquisition costs	6,146
Accruals	16,412
Intercompany loans	100,033
	<u>122,591</u>

The prepayment of acquisition costs above refer to due diligence costs (0.25% of the long-term economic value of the property) that the group has incurred upon acquiring the portfolio of loans from the participating institutions. The Group is entitled to recover these costs from the participating institutions as per the National Asset Management Agency Act 2009 and regulations published by the Minister for Finance on 5 March 2010. Although the Group has not compensated all various third parties for said costs, the participating institutions compensate the group upfront for these costs in the form of reduced consideration.

It is the policy of the group to match the prepayment from the participating institutions with the subsequent payment of the acquisition costs in the income statement when the payment of the acquisition costs occurs.

The Group is also entitled to recover through the application of 5% enforcement costs in the form of reduced consideration. This amounts to €350 million but as it is uncertain as to when such costs are likely to be incurred, management have not taken this amount to its income.



**National Asset Management Limited (Master SPV)**  
**Notes to the Consolidated Financial Statements**

**13 Share capital**

<b>National Asset Management Limited (Group)</b>	<b>Number</b>	<b>€'000</b>
At 31 March 2010		
Authorised:		
Ordinary shares of € 1 each	1,000	1
Issued and fully paid during the period:		
Ordinary shares of € 1 each	100	0
Subordinated equity instrument (Note 14)	-	19,000
	<b>100</b>	<b>19,000</b>

**14 Subordinated equity instrument**

	<b>INBS €'000</b>	<b>EBS €'000</b>	<b>Total €'000</b>
In issue at the start of the period	-	-	-
€ Subordinated Bonds, Perpetual issued on 29 March 2010	14,000	5,000	19,000
In issue at the end of the period	<b>14,000</b>	<b>5,000</b>	<b>19,000</b>

The above are Callable Perpetual Subordinated Bonds that were issued as part compensation (5%) of the acquired loan portfolio from the participating institutions.

The interest rate on the instruments is the 10 year Irish Government yield at the first issue date of the Bonds, plus 75 basis points. Interest may be paid annually, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate.

Although the Bonds are perpetual in nature, the Issuer may call the bonds on the first call date (which is 10 years from the first issue date), and every Interest Payment date thereafter (regardless of whether interest is to be paid or not). The Bonds will be redeemed in full at par without undeclared interest at the discretion of the Board based on the performance of the National Asset Management Agency.

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.