



**National Asset
Management Agency**

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NAMA Update

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www.nama.ie



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NAMA | A response to the Irish banking crisis

NAMA: key part of response to Irish banking crisis





Focus on safeguarding banking system

- NAMA established with the objective of helping to repair bank balance sheets to **safeguard the Irish banking system** and **assist economic recovery**.
- Initial focus:
 - Removing the most impaired loans from bank balance sheets - land and development loans
 - Dealing with the cumulative systemic debtor exposure inherent within the system

Removing the riskiest loans - €74bn par debt

Bank loan portfolios | 2008 v 2013

	2008	2008	2008	2008	2008	2008	2008
	AIB	BOI	IL&P	Anglo	INBS	EBS	Total
Resi Mortgages	32	63	37	0	2	15	149
Personal Lending	10	8	0	4	1	0	23
Consumer Lending	42	71	37	4	3	15	172
Other Lending	46	37	3	10	2	0	98
Property Investment	26	24	1	41	2	1	95
Land & Development	24	14	0	20	5	1	64
Total Property Lending	50	38	1	61	7	1	158
Grand Total	138	146	41	75	12	16	428
	2013	2013	2013	2013	2013	2013	2013
	AIB(incl EBS)	BOI	PTSB	Anglo	INBS	EBS	Total
Resi Mortgages	41	52	28	-	-	-	120
Personal Lending	4	3	0	-	-	-	7
Consumer Lending	45	55	28	0	0	0	128
Other Lending	18	22	0	-	-	-	40
Property Investment	14	14	1	-	-	-	29
Land & Development	6	3	0	-	-	-	9
Total Property Lending	20	17	1	0	0	0	38
Grand Total	83	93	29	0	0	0	205

Liquidity injection

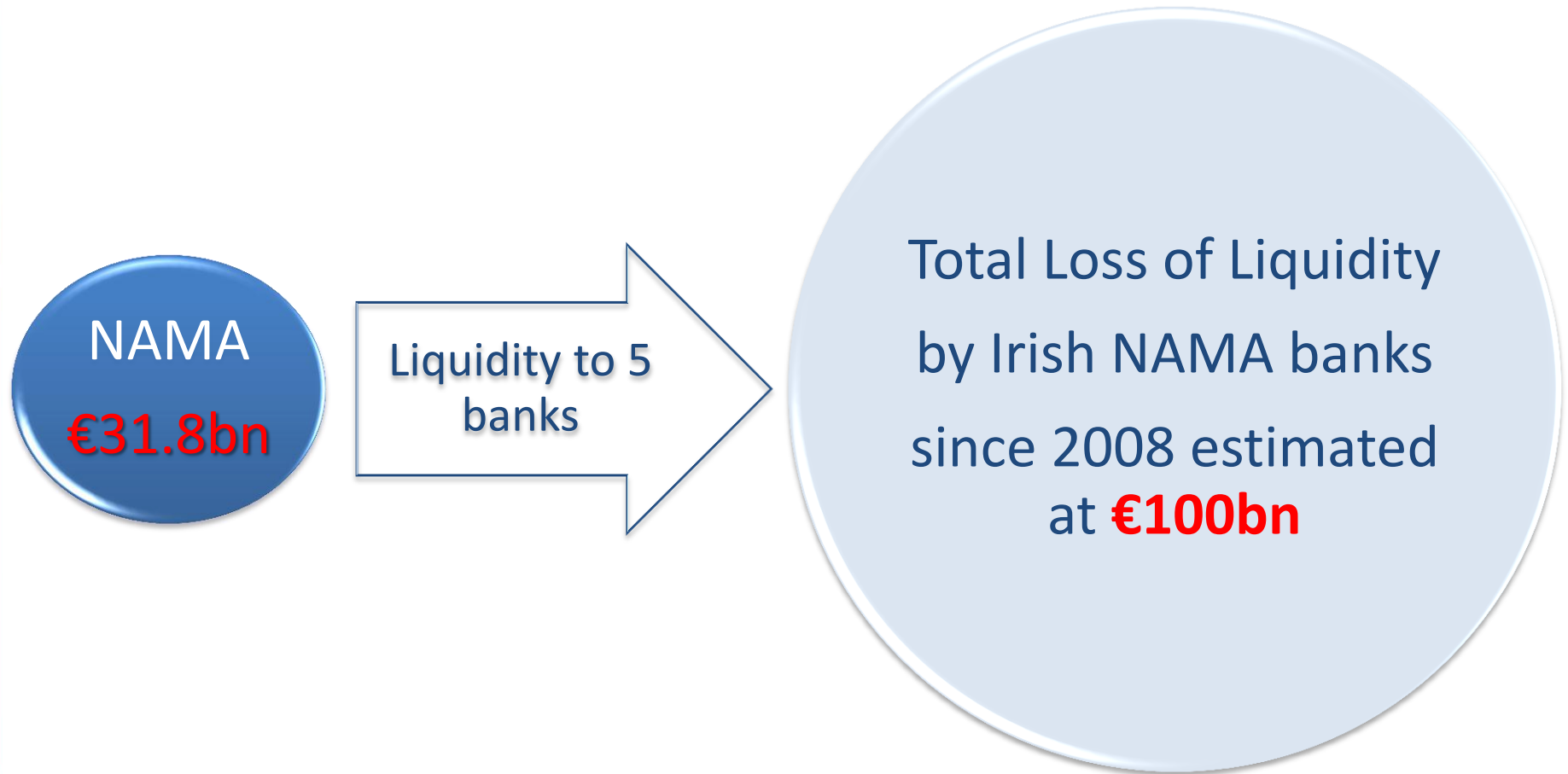
Legal due diligence, valuation, purchase and transfer of over 12,000 loans, 55,000 individual units

Senior bonds of €30.2bn and €1.6bn subordinated bonds paid to the five participating institutions

NAMA Senior bonds available to exchange for funds from ECB, representing Substantial injection of liquidity into the Irish banking system

Liquidity injection

- NAMA could only ever solve part of the estimated **€100bn** liquidity lost by banking system since 2008



Addressing systemic risk posed by largest debtors

Nominal Debt	Number of debtors	Average nominal debt per debtor €m	Total nominal debt in this category €m
In excess of €2,000m	3	2,758	8,275
Between €1,000 and €2,000m	9	1,549	13,945
Between €500m and €999m	17	674	11,454
Between €250m and €499m	34	347	11,796
Between €100m and €249m	82	152	12,496
Between €50m and €100m	99	68	6,752
Between €20m and €50m	226	32	7,180
Less than €20m	302	7	2,117
TOTAL	772	96	74,015



Addressing systemic risk posed by largest debtors

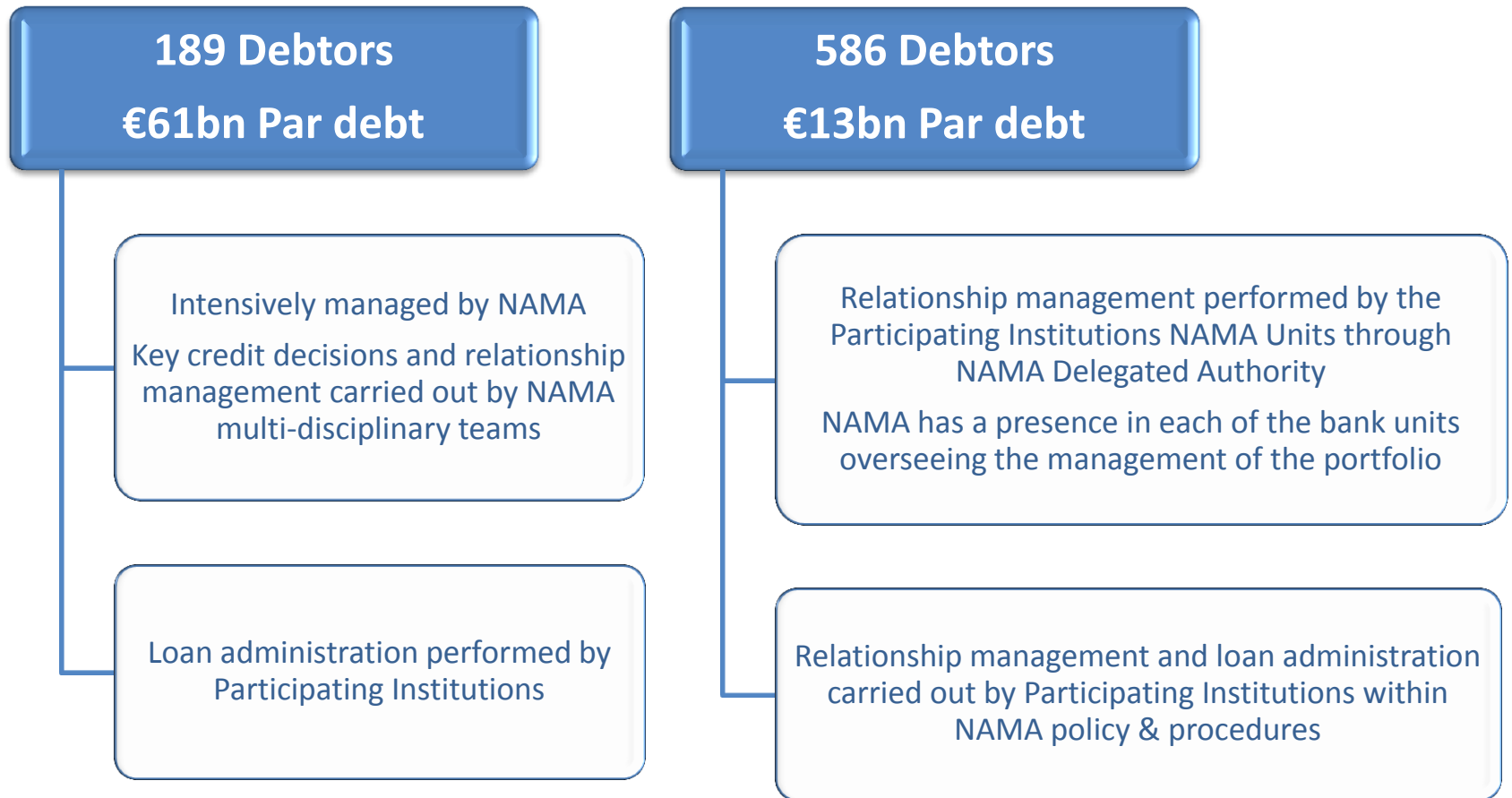
- **Majority of Debtors had loans with all financial institutions:** no measure of total exposure within the Regulator
- **Lending seems to have been carried out in haste:** inadequate security and documentation
- **NAMA's key advantages:**
 - Access to borrower's aggregate exposure and underlying security/documentation
 - Objective/no legacy relationship
 - The Act gives NAMA commercial and statutory powers



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NAMA Approach to Debtor Management

Debtor management – consolidate and then split the management of the book



Debt restructuring – Perform IBR's and then develop and apply strategies

Debtor strategies typically fall into four broad categories:

1. Restructure
2. Consensual workout
3. Asset/Loan Sales
4. Non-Consensual

Debtor strategies (as at end-2013)

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



Consensual approach

- Preferred approach is to work consensually with debtors where possible and NAMA has worked with the majority of its debtors on that basis to date
- Consensual approach means that debtors manage the agreed property and realisation strategy, under close monitoring by NAMA, with suitably reduced overheads adopted to the level of activity envisaged.
- Consensual approach also means reversal of any transfers of assets to related parties which may have taken place over recent years and the granting to NAMA of charges over unencumbered assets as additional security
- Cash Control. Rental income from investment assets are brought within NAMA's control – 97% of rents are lodged to bank accounts over which NAMA has imposed security – 20% at acquisition

Enforcement

- Where a consensual approach is not possible and loans are in default, enforcement proceedings are initiated – last resort.
- By end-December 2013, it had been necessary to make 366 insolvency appointments relating to 285 debtor connections out of the 780 connections originally acquired

Insolvency Appointments	Total
Corporate	287
Fixed Charge	79
Total	366
Number of Connections	285

Key lessons

Cash is king

- €12.9 billion in cash inflows to date since establishment - €4.2 billion in recurring cash, mainly rental receipts
- Strong cash performance means NAMA is meeting debt repayment milestones ahead of schedule
- Achieving these cashflow figures is as a result of working **constructively** with many of our debtors
- Control cash through mandating income to NAMA

Intensively Managing Debtors and Assets

- Milestone setting and monitoring
- Ensuring that through intensive day-to-day management of debtor connections buildings are rented and that rental income is mandated to NAMA
- NAMA has secured tenants for previously empty buildings, capturing recurring cash and increasing the long-term recoverable value of the asset
- Unencumbered assets capture

Key lessons

Working with debtors

- Allow debtor companies to retain overhead costs from income produced by their assets
- Overhead costs include an allowance for the debtor's approved salary and the salaries of staff
- The alternative in these cases is to appoint receivers whose costs tend to be higher
- Overhead payments are a necessary & cost-effective means of preserving and enhancing asset values
- Working with debtors a less costly option than enforcement and employment of external asset managers

Monitoring Debtors

- NAMA requires accurate and timely financial and management reporting from debtors
- Debtors are also required to provide future cash flow forecasts and other specific information identified by NAMA asset recovery managers
- In most instances, NAMA requires the appointment of independent monitors to report to NAMA on the completeness and accuracy of information presented by debtors

So, what is NAMA?





With a few key objectives.....

- Repay all our senior and sub debt of €32bn
- Pay our own way – operational and interest costs
- Invest to enhance our assets and get maximum return
- Make a tangible economic and social contribution

ALL OF WHICH REQUIRES US TO BE PROFITABLE AND GENERATE CASH



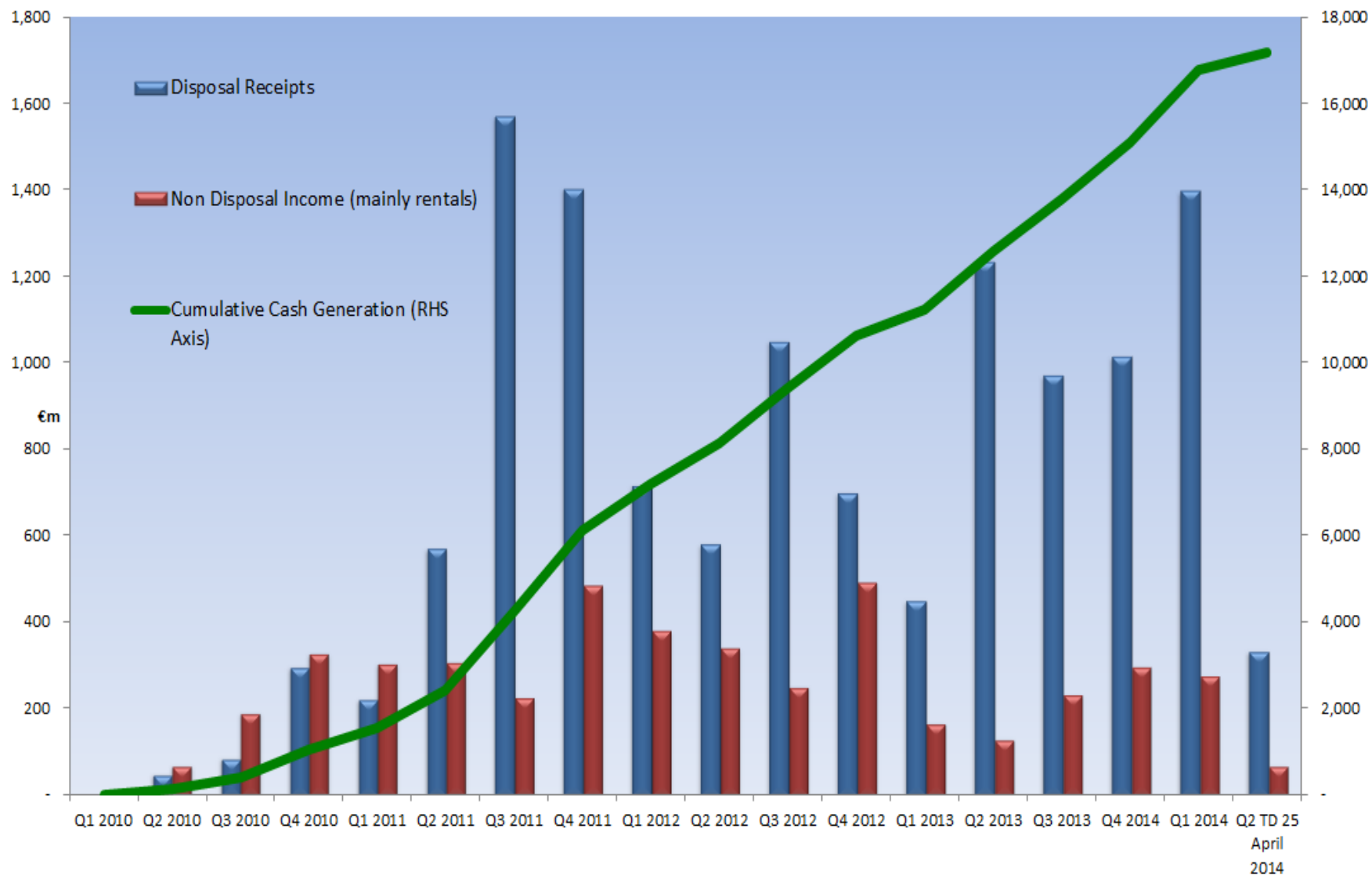
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NAMA | Key Financials & Portfolio

NAMA Profitable & Generating Cash

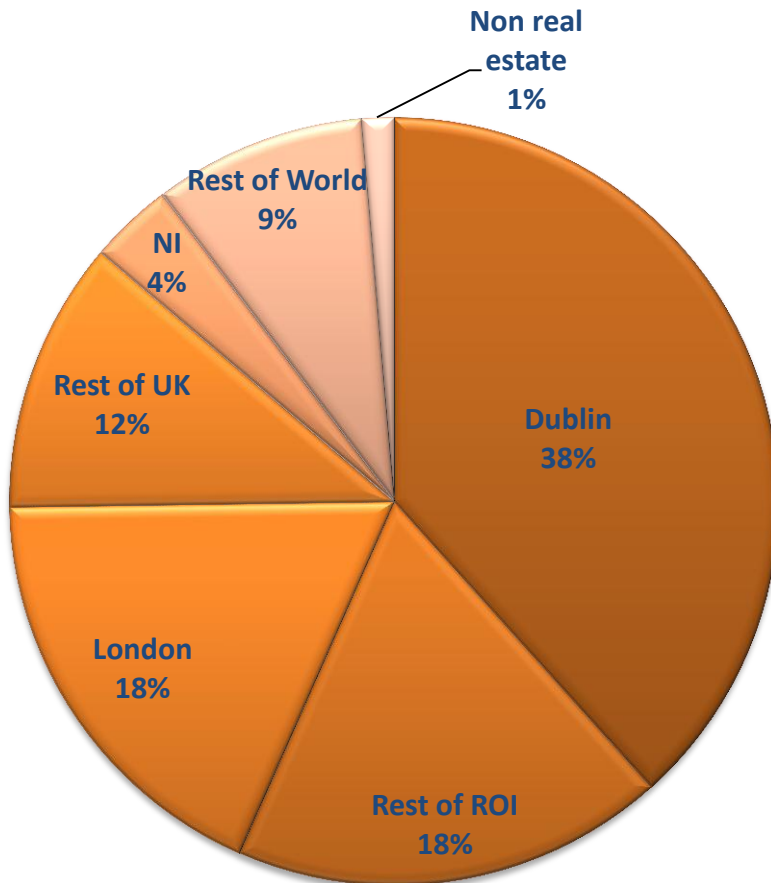
- From inception to 25 April 2014 NAMA has **generated gross cash flows of €22bn.**
- **Almost €6 billion** in cash was generated in 2013, €4.5 billion relates to **asset disposals** and other income, mainly **rental receipts** from properties controlled by debtors and receivers. The residual €1.4 billion relates to payments of principal and interest received from the Special Liquidators to IBRC.
- In March 2014 NAMA redeemed a further €3bn of **Senior Bonds** bringing **total redemption to €10.5bn – 35% of senior debt of €30.2 bn.**
- **NAMA is profitable**, 2013 results likely to be published end May 2014.

Cash generation to 25/04/2014 (ex NARL)

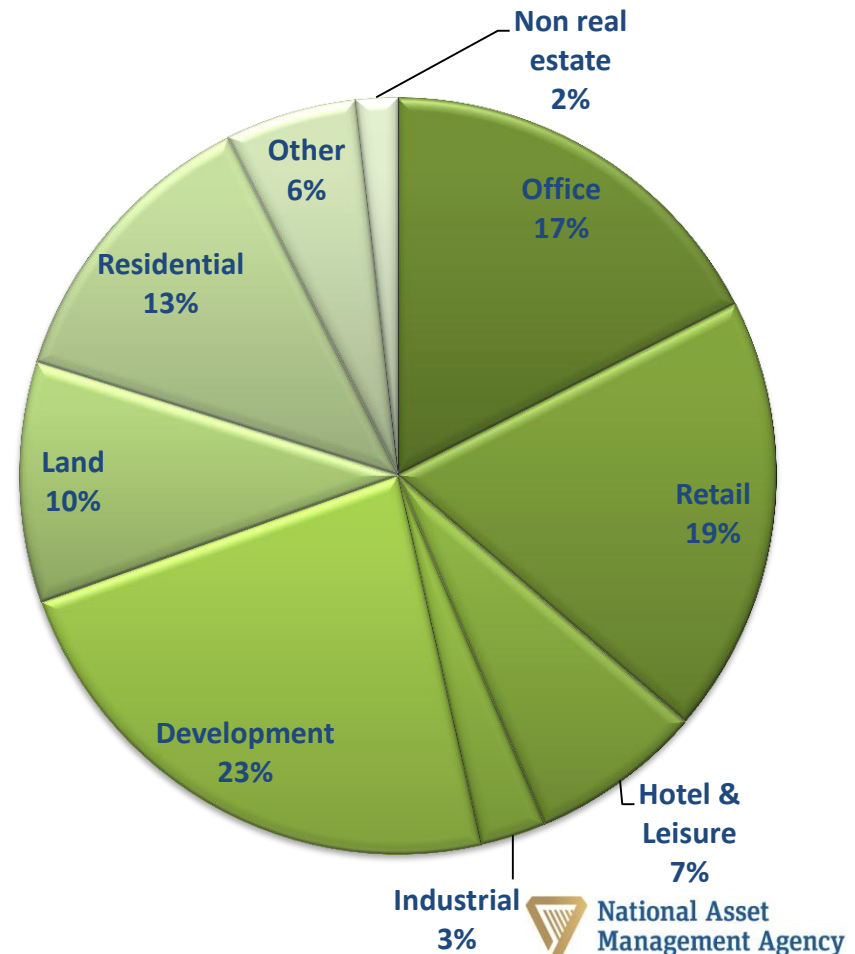


NAMA retains diverse portfolio interests by geography and asset class (31/12/2013)

Geographic Breakdown



Sector Breakdown





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**NAMA | Contributing to revival in Irish
property market**

NAMA ideally positioned to capitalise on market recovery

NAMA's
Strong
Financial
Performance



Increasing
investor
appetite in
Ireland



NAMA's well
located and
diverse asset
portfolio

NAMA Response

- Accelerated debt repayment
- Increased asset & loan sales – feed the market
- Certainty of deal-flow
- Market Initiatives
- Capital Investment
- Planning resolution

Directly supporting recovery in Irish property market



Property Sales

- **Property and Loan Sales of €12.7bn** from inception to 25 April 2014.
- **70% of sales to date relate to UK property**, mainly London, where NAMA continues to hold substantial interests in prime property.
- **Selling UK assets at yields below 5%**, in some cases closer to 3%. Very good value realised relative to acquisition date (Nov-09).
- **Irish assets represent 54% of total sales** in 2014 – this trend is likely to continue.
- Right now, NAMA has, in aggregate, over €3.5 billion in loan and property assets for sale in ROI through debtors and receivers.
- NAMA has accounted for **22% of all closed European loan sales in 2014** to date, **or 49% if you excluding the IBRC Special Liquidation process**, demonstrating NAMA's market leader role and its commitment to proactive cash generation (*Source: Cushman and Wakefield April 2014*).

Property Sales



Platinum Portfolio | Office Portfolio Sale



Central Park | Office Portfolio Sale



Redwood Portfolio Sale



- NAMA investing to take advantage of market trends – recently announced additional packaged portfolios of properties with a minimum value of **€250m will be offered for sale in each quarter** to help sustain positive momentum and provide investors with deal-flow certainty.
- **Strong start to 2014 reflecting investor interest in Irish property.**
- NAMA has completed the sale of four office buildings in Dublin comprising the **Platinum Portfolio - €165m.**
- **Central Park**, a portfolio of office and residential assets in Dublin closed in Q1 2014 - €311m.
- **Redwood**, a portfolio of assets in Dublin has recently been launched - €200m – strong interest expected.

Loan Sales

- **Completed loans sales with nominal value of €4bn to date**
- In 2013, NAMA completed sale of first major Irish loan portfolio – €800m par debt portfolio (**Project Aspen**) secured entirely on Irish commercial property – to a major US investment group
- **Project Club** sale – a €250m par debt portfolio secured mainly by Irish shopping centres – completed in December 2013
- **Project Holly** loan portfolio - €373m par debt portfolio secured by offices, hotels and land in Dublin and Meath. Strong pricing.
- **Project Eagle** sale – complete, subject to contract. Portfolio of loans owned by Northern Ireland based debtors and secured by assets in Northern Ireland, the Republic, Britain and other European locations.
- **Additional large loan portfolio** on active sale in Ireland and two more in pipeline.



NAMA Market Initiatives



NAMA's first vendor finance transaction – used to finance the purchase of No. 1 Warrington Place in Dublin – was completed in 2012

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Joint Ventures

- **NAMA will participate in JV projects** with leading private investment firms in order to attract investment to Ireland. Two completed, more to follow.
- Publicly seeking expressions of interest from credible counterparties to invest with NAMA. (namainvestments@nama.ie)
- At end- March 2014, a month since NAMA began inviting submissions, 121 parties had expressed interest in forming Joint Ventures with the Agency.

Vendor Finance

- **€2bn in Vendor Finance available to investors purchasing NAMA-secured commercial property.** €373m agreed in 6 transactions to date.

Loan and Property Portfolio Sales

- **Creating portfolios of properties** that will be attractive to big institutional buyers in the Irish market, including REITS, who are looking to transact in sizeable chunks.
- Recently announced additional packaged portfolios of properties with a minimum value of **€250m will be offered for sale in each quarter during 2014.**

Capital Investment in Ireland

- Funding development and completion of commercially viable
- Over €1bn has already been approved and **€600m drawn down for projects in Ireland**
- **Another €1.5bn available to preserve and enhance value of assets in Ireland.**
- NAMA's commitment includes completions and new developments that will help **alleviate potential market impediments relating to the supply chain**, including prime office accommodation and family homes in the main urban centres.
- Government and industry studies indicate that investment on the scale envisaged by NAMA **could contribute 30,000 construction and associated jobs in the Irish economy up to 2016.**



Central Park, Block G, Before: Completed to shell & core, Entire building vacant, No rent generated



Central Park, Block G, After: All floors completed to landlord specification, 5 floors let to blue chip tenants, Generating strong rental income

Facilitating transactions

- **NAMA is working with the IDA and other State agencies to facilitate important transactions, e.g. Facebook letting at Grand Canal; Novartis letting at Elm Park; Kerry Group acquisition at Millennium Park, Naas; Eli Lilly acquisition at East Gate, Cork**



NAMA provided over €64m in funding for the completion & fit-out of the Grade A office development Grand Canal Square.



Supporting business

- As well as its capital investment, NAMA is **directly supporting 15,000 jobs in Ireland in trading businesses linked to our loans**. Includes jobs in property, hotel and leisure, retail, healthcare, manufacturing and agriculture.
- Directly supporting small and medium businesses in the retail sector through rent abatements and long-term reliefs.
- To date, **NAMA has approved rent abatements with an annual aggregate value of €18m and rent reliefs worth in excess of €40m to retailers.**



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Conclusion

NAMA Achievements

- ✓ **Starting-up the Largest Work Out Organisation ever** – Agency had to be established quickly from scratch.
- ✓ **Acquiring €74 billion of loans** - Substantial and complex challenge of dealing with 775 debtor connections which represented over 5,000 borrowing entities and 55,000 property units – Securum of Sweden was only €6bn!
- ✓ **Creating a platform to manage debtors and properties** – to deal expeditiously with acquired assets on a direct and supported basis including residual IBRC portfolio
- ✓ **Leading an Innovative and responsive business model** - breadth and depth of solutions required
- ✓ **Stimulating & Exploiting Market Recovery** – different experiences in different territories – **economic recovery is not homogenous**



Summary

- NAMA meeting Senior Debt redemption targets ahead of schedule. €3bn repaid in March 2014 bringing total redemptions to €10.5bn or 35% of senior debt – 50% by end 2014 which is 2 years ahead of schedule.
- There are tangible signs that the Irish property market is recovering – new property cycle – is it sustainable?
- NAMA portfolio is well located, which should facilitate orderly disposal (92% of ROI assets at end 2013 are located in Dublin, Cork, Limerick or Galway)
- NAMA is investing to protect and enhance asset values. Working and development capital is making a contribution to recovering Irish construction sector.
- Growing interest from sophisticated, international investors in Irish assets.
- NAMA introducing market initiatives to sustain momentum and provide investors with certainty around deal-flows.
- NARL IBRC floating charge (original €12.9bn balance) to be eliminated in 2014. No new IBRC assets to transfer to NAMA.



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