



**National Asset  
Management Agency**

**NAMA QUARTERLY REPORT  
and ACCOUNTS  
(Section 55 NAMA Act 2009)**

**30 September 2017**

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# Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní National Asset Management Agency

20 December 2017

Mr. Paschal Donohoe T.D.,  
Minister for Finance,  
Department of Finance,  
Upper Merrion Street,  
Dublin 2.

## Section 55 Quarterly Report and Accounts - NAMA Act 2009

Dear Minister,

Please find attached the Quarterly Report and Accounts for the third quarter of 2017 which is submitted to you pursuant to Section 55 of the NAMA Act 2009.

In accordance with the Act, the Report deals with the National Asset Management Agency (NAMA) and the entities within the NAMA Group.

To assist in your review of the Quarterly Report and Accounts, we also present for your information 2017 Financial Highlights and Key Performance Indicators.

Financial Highlights	30 Sept 2017 €m	Full year 2016 €m	Inception to 30 Sept 2017 €m
<b>Total cash generated</b>	<b>1,789</b>	<b>5,399</b>	<b>39,928</b>
<b>Cash proceeds from property collateral and loan sales</b>	1,702	5,025	33,897
<b>Non-disposal cash receipts from borrowers</b>	87	374	5,468
<b>Senior bond redemptions</b>	2,090	5,500	29,690
<b>Operating profit before impairment</b>	295	1,386	
<b>Impairment credit</b>	3	282	
<b>Profit for the period after tax and impairment</b>	242	1,503	
<b>Loans and receivables balance (net of impairment)</b>	3,733	3,919	

## Key Performance Indicators

### Cash generation

NAMA continues to generate significant cash through disposals of assets and loans and non-disposal income:

- NAMA generated €1.8 billion in the nine month period to the 30 September 2017.
- NAMA generated a further €0.3 billion in cash in the period from 30 September to 1 December 2017, bringing cumulative cash generated to €40.2 billion since inception.
- Cash, cash equivalent and collateral balances held at 30 September 2017 were €1.2 billion.

### Profitability

NAMA recorded a profit of €242 million for the nine month period to 30 September 2017 (30 September 2016: €795 million).

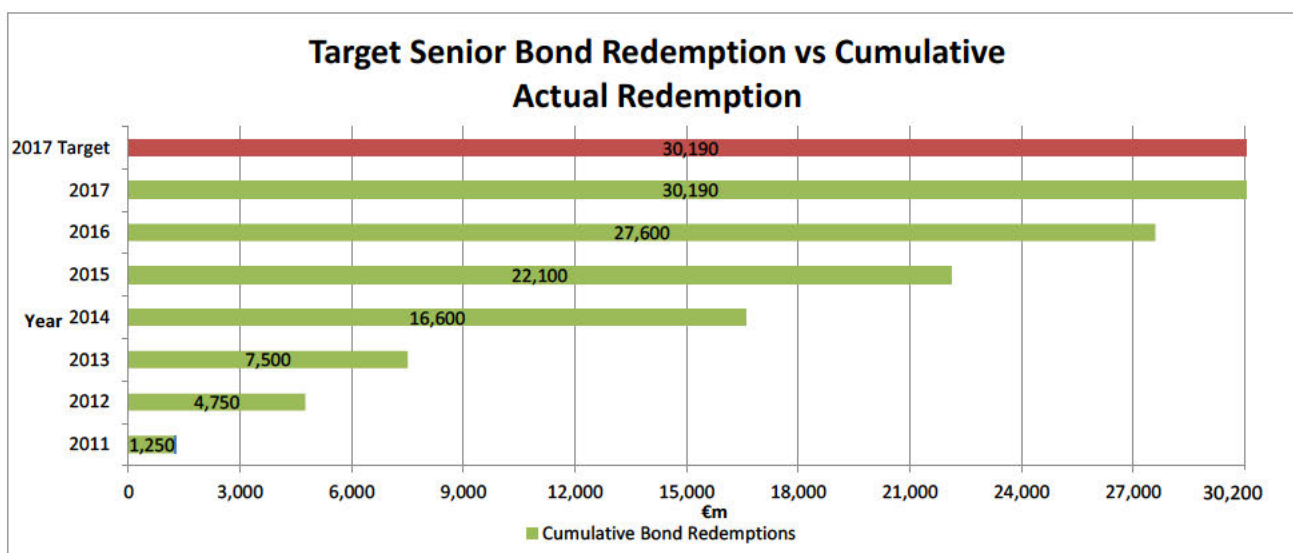
### Loan portfolio

The carrying value of NAMA's loan portfolio at 30 September 2017, net of cumulative impairment provision of €1.5 billion, was €3.7 billion (30 June 2017: €3.7 billion).

## NAMA Strategic Objectives

### 1. Senior debt redemption

Subsequent to 30 September 2017, NAMA redeemed the remaining €0.5 billion of its Senior Bonds in Q4 2017. This transaction completed the redemption of the €30.2 billion of government guaranteed senior debt originally issued by NAMA in 2010 and 2011 to acquire bank loans. NAMA has therefore met its primary commercial objective of redeeming its guaranteed senior debt significantly ahead of schedule, thereby eliminating the state's contingent liability as guarantor of the bonds.





## **2. Dublin Docklands SDZ**

One of the objectives set by the NAMA Board is to facilitate the delivery of grade A office accommodation in the Dublin Docklands SDZ. The Agency originally held an interest in approximately 75% of the developable land area of 22 hectares in the Dublin Dockland. To date delivery strategies have been approved for 95% of Dublin Dockland sites which will deliver more than 3.6m sq.ft of commercial space and c.1,700 residential units.

## **3. Residential Delivery**

Over 5,500 residential units were delivered through NAMA funding between the start of 2014 and end-September 2017. Another 9,300 units are either under construction or have secured planning permission. In addition, sites with a delivery capacity of over 10,000 units are either in the planning system or will be within twelve months. Pre-planning and feasibility work is underway on other sites under the control of NAMA debtors and receivers which are estimated to have a delivery capacity of over 17,700 units.

In addition to the activity outlined above, it is estimated that some 1,363 units have been delivered or are under construction on sites for which NAMA had funded planning permission but which were subsequently sold or where the associated loans were subsequently sold or refinanced.

### ***Social housing***

NAMA has exceeded its social housing delivery target of 2,000 units. Up to end-September 2017, NAMA had identified 6,946 residential units as potentially suitable for social housing. Demand has been confirmed by local authorities for 2,793 of the units, of which 2,428 had been delivered or committed by end-September 2017.

We trust the Quarterly Report and Accounts 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,

  
**Frank Daly**  
**Chairman**

  
**Brendan McDonagh**  
**Chief Executive Officer**



**Unaudited Consolidated Accounts of the National Asset Management Agency**

**For the quarter ended 30 September 2017**

## **National Asset Management Agency Group**

**Quarter to 30 September 2017**

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## **Board and other information**

### **Board**

Frank Daly (Chairman)  
Brendan McDonagh, Chief Executive Officer NAMA  
Conor O'Kelly, Chief Executive Officer NTMA<sup>1</sup>  
Oliver Ellingham (non-executive)  
Mari Hurley (non-executive)  
Brian McEnery (non-executive)  
Willie Soffe (non-executive)

### **Registered Office**

Treasury Building  
Grand Canal Street  
Dublin 2  
D02 XN96

### **Principal Bankers**

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
I.F.S.C.  
Dublin 1

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

<sup>1</sup> The Chief Executive of the NTMA is an ex-officio Board member of NAMA.



## General information

The National Asset Management Agency (NAMA) was established by the Minister for Finance in November 2009. NAMA is a separate statutory body, with its own Board and Chief Executive Officer, and operates in accordance with the National Asset Management Agency Act 2009 (the Act).

Under Section 10 of the Act, NAMA's purposes are to contribute to the achievement of the purposes of the Act by:

- (a) acquiring bank assets from the Participating Institutions;
- (b) dealing expeditiously with the acquired assets;
- (c) protecting and enhancing the value of assets acquired by it in the interests of the State.

## Group structure

In accordance with the Act and to achieve its objectives, the Agency has set up certain special purpose vehicles (SPVs). These are designated as NAMA Group entities within the meaning of Section 4 of the Act. The relationship between the NAMA Group entities is summarised in Chart 1.

On 18 December 2014, National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL) was placed into liquidation by its members. As the liquidator has assumed the rights of the shareholder and now controls NALHL and its subsidiaries, NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, are not consolidated into the results of the NAMA Group.

The SPVs established are as follows:

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

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

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

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

NAM was incorporated on 27 January 2010. NAM is responsible for issuing the government guaranteed debt instruments and the subordinated debt, which were used as consideration in acquiring loan assets. The government guaranteed debt securities issued by NAM are listed on the Irish Stock Exchange.

The government guaranteed debt instruments and the subordinated debt instruments, issued in respect of the original loan portfolio, were transferred to National Asset Management Group Services D.A.C. (NAMGS) and by NAMGS to National Asset Loan Management D.A.C. (NALM). The latter used these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

NAM has twelve subsidiaries. These are referred to as the NAM Group:

### *NAMGS*

NAMGS acts as the holding company for its eleven subsidiaries: NALM, National Asset Management Services D.A.C. (NAMS), National Asset JVA D.A.C. (NAJVA), National Asset Property Management D.A.C. (NAPM), National Asset North Quays D.A.C. (NANQ), North Wall Plaza Management Company D.A.C. (NWPMC), National Asset Residential Property Services D.A.C. (NARPS), National Asset Sarasotta Limited Liability Company (NASLLC), NALHL (in Voluntary Liquidation), RLHC and RLHC II.

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

#### *NALM*

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

NALM has one subsidiary, NANQ.

#### *NANQ*

On 8 April 2015, NANQ was established. NANQ is a 100% wholly owned subsidiary of NALM and was established to hold the freehold lands acquired by NAMA at 72-80 North Wall Quay, Dublin 1 in February 2015 and to receive proceeds from a secure income stream from such lands in the form of a licence fee, a fixed percentage of rent or a percentage of sales proceeds of any completed development to be built on the lands.

NANQ has one subsidiary, North Wall Plaza Management Company (NWPMC).

#### *NWPMC*

NANQ were legally bound to acquire a 26.5% shareholding in a Management Company (NWPMC) arising out of a land acquisition. The remaining 73.5% of NWPMC is owned by the Central Bank of Ireland, the second landowner party to the agreement. As the holder of a controlling A Ordinary Share and having appointed its own Directors, the results of NWPMC have been consolidated into the Group accounts.

#### *NAMS*

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

#### *NAJVA*

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

#### *NAPM*

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

NAPM has five subsidiaries; NARPS, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II.

#### *NARPS*

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

2,428 residential properties were delivered to the social housing sector by NAMA debtors from inception to 30 September 2017. This includes the direct sale of 884 properties by NAMA debtors and receivers to various approved housing bodies, the direct leasing of 117 properties by NAMA debtors and receivers and the acquisition by NARPS of 1,215 properties for lease to approved housing bodies. In addition, contracts were exchanged on a further 212 properties (for both direct sale and through NARPS) at the reporting date.

#### *NASLLC*

On 1 August 2013, NAMA established a US subsidiary, National Asset Sarasota Limited Liability Company (NASLLC). NASLLC is a wholly owned subsidiary of NAPM, and was established to acquire any property assets located in the US, if and when required. Since its acquisition, NASLLC has acquired and subsequently sold one asset located in the US.

*NALHL (in Voluntary Liquidation)*

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

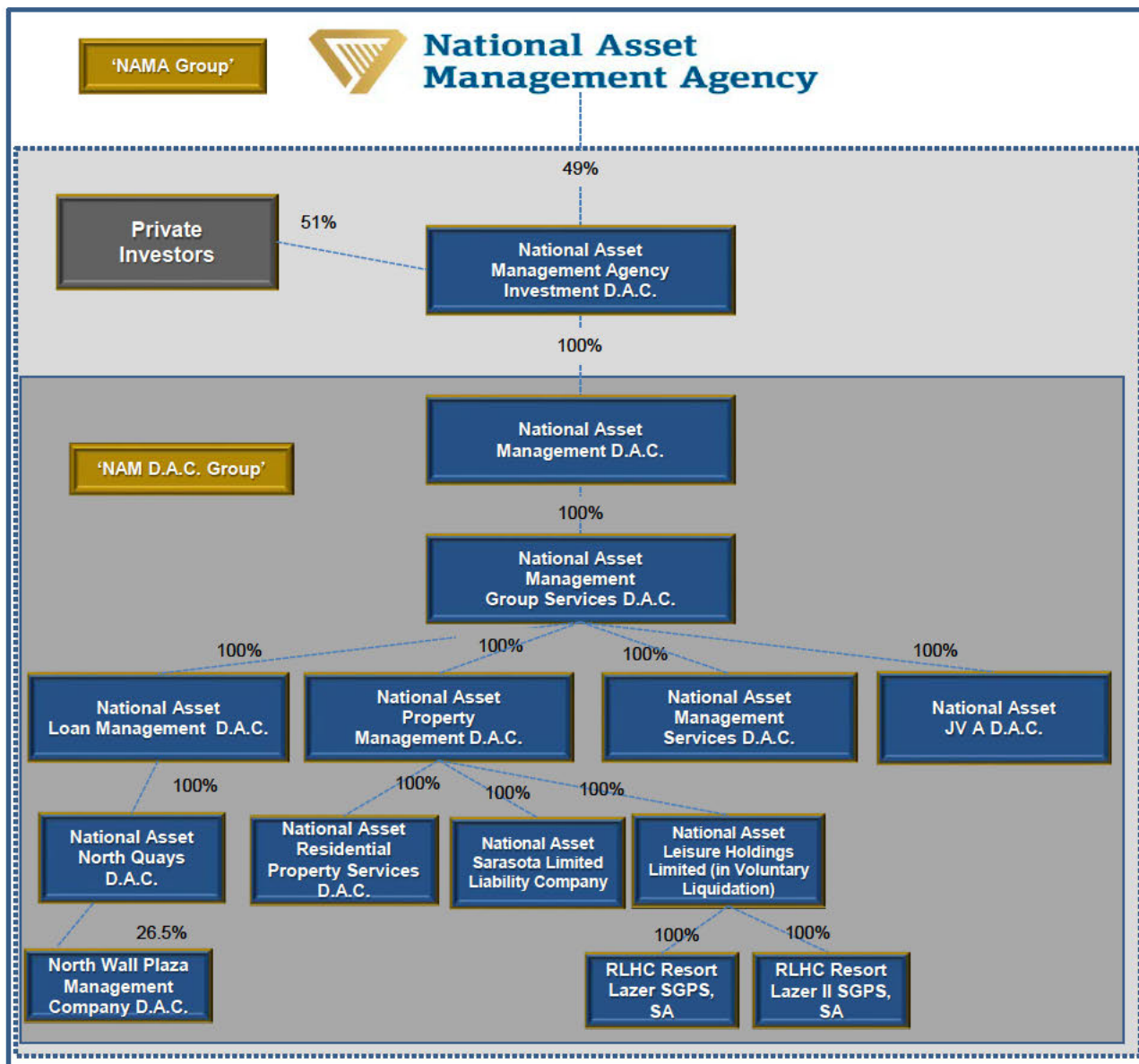
The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into voluntary liquidation on 18 December 2014. The control of NALHL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

*RLHC Resort Lazer SGPS, S.A. (RLHC), RLHC Resort Lazer II SGPS, S.A. (RLHC II)*

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

With the exception of RLHC and RLHC II, the address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC which is incorporated and domiciled in the US, and RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, no. 64, 1200-204 Lisbon, Portugal.

Chart 1 NAMA Group entities at 30 September 2017



### Quarterly financial information

In accordance with Section 55 of the Act, NAMA is required every three months to report to the Minister on its activities and the activities of each NAMA Group entity, referred to in the Act as the 'quarterly report' or 'the accounts'. Section 55 of the Act sets out certain financial and other information to be provided in each quarterly report.

The financial statements present the consolidated results of the NAMA Group for the quarter ended 30 September 2017. For the purposes of these accounts, the 'NAMA Group' comprises the result of all entities presented in Chart 1, excluding those in liquidation.

The financial information for all entities is presented showing items of income and expenditure for the quarter from 1 July 2017 to 30 September 2017 and for the year to date.

The statement of financial position is presented as at 30 September 2017 and 30 June 2017. The cash flow statement for the NAMA Group is presented for all cash movements for the quarter from 1 July 2017 to 30 September 2017 and for the year to date.

The income statements and statement of financial position for each NAMA Group Entity are provided on pages 34 to 37.

**Consolidated Income Statement**  
**For the quarter from 1 July 2017 to 30 September 2017**

		For the quarter from 1 July 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	Note	€000	€000
Interest and fee income	3	53,128	181,379
Interest and similar expense	4	(778)	(3,098)
<b>Net interest income</b>		<b>52,350</b>	<b>178,281</b>
Other income / (expenses)	5	15,976	22,345
(Loss) / profit on disposal of loans and property assets and surplus income	6	546	149,026
Gains / (losses) on derivative financial instruments	7	(265)	(1,018)
<b>Total operating income</b>		<b>68,607</b>	<b>348,634</b>
Administration expenses	8	(16,065)	(48,637)
Foreign exchange (losses) / gains	9	(1,168)	(5,537)
<b>Operating profit before impairment</b>		<b>51,374</b>	<b>294,460</b>
Impairment credit on loans and receivables	15	744	3,405
<b>Operating profit after impairment</b>		<b>52,118</b>	<b>297,865</b>
Tax charge	10	(5,093)	(55,922)
<b>Profit for the period</b>		<b>47,025</b>	<b>241,943</b>

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Financial Position**  
**As at 30 September 2017**

	Note	30 Sept 2017 €000	30 June 2017 €000
<b>Assets</b>			
Cash and cash equivalents	11	694,632	590,400
Cash placed as collateral with the NTMA	11	25,000	25,000
Financial assets available for sale	12	512,681	511,099
Amounts due from Participating Institutions	13	20,207	20,233
Derivative financial instruments	14	17,324	23,736
Loans and receivables (net of impairment)	15	3,733,049	3,711,674
Other assets	16	95,228	109,079
Inventories - trading properties	17	279,507	348,739
Property, plant and equipment	18	1,344	1,344
Investments in equity instruments	19	70,972	57,852
<b>Total assets</b>		<b>5,449,944</b>	<b>5,399,156</b>
<b>Liabilities</b>			
Amounts due to Participating Institutions	13	10,699	10,705
Derivative financial instruments	14	14,325	2,991
Other liabilities	21	17,300	18,486
Senior debt securities in issue	22	500,000	500,000
Tax payable	23	65,195	52,286
Deferred tax	20	2,201	12,671
<b>Total liabilities</b>		<b>609,720</b>	<b>597,139</b>
<b>Equity</b>			
Share capital		-	-
Other equity instruments	24	1,593,000	1,593,000
Retained earnings	26	3,191,960	3,144,935
Other reserves	25	4,265	13,082
Equity and reserves attributable to owners of the Group		<b>4,789,224</b>	<b>4,751,017</b>
Non-controlling interests		51,000	51,000
<b>Total equity and reserves</b>		<b>4,840,224</b>	<b>4,802,017</b>
<b>Total equity, reserves and liabilities</b>		<b>5,449,944</b>	<b>5,399,156</b>

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Cash Flows**  
**For the quarter from 1 July 2017 to 30 September 2017**

	For the quarter from 1 July 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
<b>Cash flow from operating activities</b>		
Receipts from borrowers	275,288	1,767,751
Receipts from derivatives acquired	1,242	2,458
Funds advanced to borrowers	(158,251)	(384,033)
New loans acquired	(18,000)	(18,000)
Funds in the course of collection	903	3,289
Fee income from loans and receivables	1,582	2,458
<b>Net cash provided by loans and receivables</b>	<b>102,764</b>	<b>1,373,923</b>
<b>Derivatives</b>		
Cash inflow on foreign currency derivatives	855,991	2,740,683
Cash outflow on foreign currency derivatives	(837,970)	(2,709,838)
Net cash outflow on other derivatives	(469)	(488)
<b>Net cash provided by derivatives</b>	<b>17,552</b>	<b>30,357</b>
<b>Other operating cashflows</b>		
Payments to suppliers of services	(19,458)	(128,967)
Interest paid on cash and cash equivalents	(417)	(2,421)
Dividend paid by NAMAI on B ordinary shares	-	(547)
Coupon paid by NAM on subordinated debt issued	-	(83,856)
Net inflow on amounts placed as collateral with the NTMA	-	33,000
Funds paid to acquire trading properties	(201)	(44,466)
Rental income received	2,834	7,855
<b>Net cash used in other operating activities</b>	<b>(17,242)</b>	<b>(219,402)</b>
<b>Net cash provided by operating activities</b>	<b>103,074</b>	<b>1,184,878</b>
<b>Cash flow from investing activities</b>		
Investments in equity instruments	(4,856)	(6,180)
Distributions received from investments	5,834	14,257
Interest received on available for sale assets	-	4,275
<b>Net cash provided by investing activities</b>	<b>978</b>	<b>12,352</b>
<b>Cash flow from financing activities</b>		
Redemption of senior debt securities	-	(2,090,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(2,090,000)</b>
Cash and cash equivalents at the beginning of the period	590,400	1,587,789
Net cash provided by operating activities	103,074	1,184,878
Net cash provided by / (used in) investing activities	978	12,352
Net cash used in financing activities	-	(2,090,000)
Effects of exchange-rate changes on cash and cash equivalents	180	(387)
<b>Cash and cash equivalents at 30 Sept 2017</b>	<b>694,632</b>	<b>694,632</b>
<b>Financial assets and cash collateral</b>		
Amounts pledged as collateral with the NTMA	25,000	25,000
Financial assets available for sale	512,681	512,681
<b>Total cash, cash equivalents and collateral held at 30 Sept 2017</b>	<b>1,232,313</b>	<b>1,232,313</b>

## **1 General Information**

For the purposes of these accounts, the 'NAMA Group' comprises the parent entity NAMA (the Agency) and all entities shown in Chart 1 on page 10. The Agency owns 49% of the shares in NAMAI and the remaining 51% of the shares are held by private investors.

The Agency may exercise a veto power in respect of decisions of NAMAI 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.

With the exception of RLHC and RLHC II, the address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC which is incorporated and domiciled in the US, and RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, n.º. 64, 1200-204 Lisbon, Portugal.

## **2 Summary of significant accounting policies**

### ***2.1 Basis of preparation***

The Group's consolidated accounts for the period to 30 September 2017 are presented in accordance with its accounting policies for the purposes of complying with the requirements of Section 55 of the Act.

The preparation of these accounts requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the accounts in the period the assumptions change. Management believes that the underlying assumptions are appropriate and that the Group's accounts therefore present the financial position and results fairly. The Group's principal critical estimates and judgements include impairment of loans and receivables and related derivatives acquired; income recognition on loans and receivables, surplus income, and deferred tax.

### ***2.2 Basis of measurement***

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

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

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

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

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

### ***2.3 Basis of consolidation***

The consolidated financial statements of the Group comprise the financial statements of the parent entity, NAMA and its subsidiaries, with the exception of NALHL (in voluntary liquidation), RLHC and RLHC II. The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the same reporting date as that of the parent.

The Group consolidates all entities where it directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities.

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

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



## **2.4 Foreign currency translation**

### *(a) Functional and presentation currency*

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

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

### *(b) Transactions and balances*

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

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

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

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

## **2.5 Financial assets**

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

- (a) Financial assets at fair value through profit or loss;*
- (b) Loans and receivables; and*
- (c) Available for sale financial assets*

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

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

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

#### *Derivatives*

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

#### *Equity instruments*

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

Equity instruments are initially measured at fair value. Equity instruments are subsequently measured at fair value unless the fair value cannot be reliably measured, in which case the equity instrument is measured at cost. The fair value of equity instruments is measured based on the net asset value of the entity at the reporting date. Changes in fair value are recognised in the income statement as part of other income/(expenses).

Equity instruments are separately disclosed in the statement of financial position.

### *(b) Loans and receivables*

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

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

Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method (see accounting policy 2.8).

### *(c) Available for sale financial assets*

Available for sale financial assets comprise Irish Government bonds acquired for liquidity purposes. Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

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

### **Financial assets and liabilities at fair value**

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments. 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 recognised in the income statement.

#### *Borrower derivatives*

Borrower derivatives comprise of derivatives acquired from Participating Institutions that were originally put in place to provide hedges to borrowers ('borrower derivatives'). These derivatives were acquired from each Participating Institution as part of a total borrower exposure.

Borrower derivatives are measured at fair value with fair value gains and losses being recognised in profit or loss. Borrower derivatives are classified as performing and non-performing. A performing derivative is one that is meeting all contractual cash flow payments up to the last repayment date before the end of the reporting period. The performing status of borrower derivatives is assessed at each reporting date.

Borrower derivatives comprise of interest rate derivatives. The fair value is determined using a valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, FX rates, option volatilities and par interest swap rates.

#### *NAMA derivatives*

NAMA derivatives comprise of derivatives entered into to hedge exposure to loans and receivables acquired and debt securities in issue ('NAMA derivatives'). NAMA derivatives include interest rate and cross currency swaps. The fair value of NAMA derivatives is determined using a mark to market valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, par interest and FX rates. Fair value movements arising on interest rate swaps are recognised in profit or loss. Gains and losses on currency swaps are recognised in profit or loss as part of foreign exchange gains and losses.

### *Hedge accounting*

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

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

### *Cash flow hedge*

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

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which the associated related hedged item is reported. Amounts recycled to profit or loss from equity are included in net interest income.

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

## **2.6 Financial liabilities**

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.14. The Group does not offset financial assets and financial liabilities.

## **2.7 De-recognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

## **2.8 Interest income and interest expense**

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

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimated cash flows using the mandated Long Term Economic Value (LTEV) methodology but did not consider future credit losses beyond any already recognised in the acquisition price of loans. The calculation includes transaction costs and all fees paid or received between parties to the contract that are an integral part of the EIR.

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

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

## **2.9 Fee income**

Fee income that is an integral part of calculating the EIR or originating a loan is recognised as part of EIR as described in accounting policy 2.8. Fees earned by the Group that are not part of EIR are recognised immediately in profit or loss as fee income.

## **2.10 Profit / (loss) on the disposal of loans, property assets; and surplus income**

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

Profits and losses on the disposal of loans/property assets is calculated as the difference between the carrying value of the loans/property assets and the contractual sales price at the date of sale, less related loan sale costs. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow in accordance with IAS 32. Profits and losses on the disposal of loans/property assets are recognised in the income statement when the transaction occurs.

### *b) Surplus income*

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

- a) to the extent that actual cashflows for a total debtor connection are in excess of the total debtor connection loan carrying values, i.e. to the extent that the debtor has repaid all of its NAMA debt. Such income is recognised semi-annually; or
- b) when the estimated discounted cashflows for the total debtor connection are greater than the total debtor connection loan carrying value. Such surplus income, to the extent that cash is realised from specific loan assets within the connection, is assessed for recognition on a semi-annual basis.

## **2.11 Impairment of financial assets**

The Group assesses, on a semi-annual basis, whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

### *Loans and receivables carried at amortised cost*

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

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

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

### *Individually Significant*

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

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

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

NAMA may dispose of loans within a debtor connection or a portfolio of loans across multiple connections. The disposal of loans gives rise to a release or crystallisation of any impairment previously recognised relating directly to the loans sold.

When a loan or group of loans is sold the rights to the cash flows from the loans expire and the loan assets are de-recognised from the statement of financial position. On de-recognition, a gain or loss on the loans sold is calculated and is recognised in the consolidated income statement. The gain or loss is calculated as the difference between the consideration received net of transaction costs and the carrying value of the loans sold.

The assessment of the carrying value of the loans sold takes into account impairment previously recognised against these loans.

If impairment has previously been recognised on the loans

- a calculated *profit* on disposal results in the associated impairment provision for these assets being recognised under net profit on disposal on loans and property assets.
- a calculated *loss* on disposal will result in the associated impairment provision being crystallised, whereby both the provision held and the carrying value of the loans are reduced.

#### *Collective Assessment*

Debtor connections which are not subject to individually significant assessment are grouped collectively for the purposes of performing an impairment assessment. When collectively assessed loans are disposed of, the calculated profit or loss on disposal does not take into account any previously recognised collective provision as this provision is not directly attributed to the loans. The related impact on the overall collective provision is reassessed following disposal of the loans.

## **2.12 Impairment of non-financial assets**

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

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

## **2.13 Cash and cash equivalents**

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

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

## **2.14 Derivative financial instruments and hedge accounting**

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

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

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

### *Derivatives at fair value through profit or loss*

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

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

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

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

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

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

### **2.15 Inventories - trading properties**

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

### **2.16 Taxation**

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

#### *(a) Current income tax*

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

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

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

An Entity shall offset current tax assets and current tax liabilities if, and only if, the entity: has a legally enforceable right to set off the recognised amounts: and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

#### *(b) Deferred income tax*

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

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

Deferred income tax related to cash flow hedges is recognised in equity and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax related to available for sale reserves is recognised in other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group assesses, on an annual basis only, the deferred tax relating to unutilised tax losses.

## **2.17 Provisions for liabilities and charges and contingent assets and liabilities**

### *Provisions*

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

### *Contingent liabilities*

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

### *Contingent assets*

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

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

## **2.18 Amounts due to and from Participating Institutions**

### *Unsettled overdraft positions*

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

## **2.19 Financial guarantee contracts acquired**

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

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

## **2.20 Debt and equity instruments**

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

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

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

## **2.21 Share capital**

### *(a) 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 period that are declared after the date of the consolidated statement of financial position are dealt with in the Events after the Reporting Date note.

### *(b) Coupon on other equity*

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

## **2.22 Cash placed as collateral with the NTMA**

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

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

## **2.23 Property, plant and equipment**

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

## **2.24 Segmental reporting**

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

## **2.25 Operating leases**

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



## **2.26 Non-controlling interests in subsidiaries**

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

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

## **2.27 Determination of fair value**

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

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

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

### *Valuation techniques*

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

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

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

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

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

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

### 3 Interest and fee income

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Interest on loans and receivables	51,037	177,323
Interest on acquired derivative financial instruments	505	1,532
Interest on cash and cash equivalents	4	66
Fee income	1,582	2,458
<b>Total interest and fee income</b>	<b>53,128</b>	<b>181,379</b>

Interest income on loans and receivables is recognised in accordance with accounting policy note 2.8.

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

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

Fee income earned by the Group that is not part of EIR, such as exit or performance fees, are recognised immediately in profit or loss. Fee income recognised in the period includes arrangement fees, restructuring fees and transaction fees from loan sales.

### 4 Interest and similar expense

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Interest on other derivative financial instruments	123	367
Negative interest expense on cash and cash equivalents	596	2,558
Interest on available for sale financial assets	59	173
<b>Total interest and similar expense</b>	<b>778</b>	<b>3,098</b>

### 5 Other income/(expenses)

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Distributions from equity investments	4,576	12,999
Fair value gains on equity instruments	8,551	1,285
License fee income	139	408
Lease rental income	2,710	7,653
<b>Total other income/(expenses)</b>	<b>15,976</b>	<b>22,345</b>

Dividend income from equity instruments comprises distributions arising from Group shareholdings in funds predominantly holding real estate assets.

The fair value of NAMA's equity instruments is based on the net asset value of the investment entity at the reporting date, and changes in fair value are recognised in the income statement in accordance with accounting policy 2.5.

In 2013, NAMA acquired certain lands at North Wall Quay and subsequently entered into an income sharing agreement to develop the site, which provides a secure income stream from the lands in the form of a licence fee.

Lease rental income is earned from the lease of residential properties to approved housing bodies for social housing purposes and from the lease of certain trading properties. It is accounted for on a straight line basis over the lease term in accordance with accounting policy 2.25.

## 6 Profit on disposal & refinancing of loans and property assets and surplus income

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Surplus income on loan repayments (in excess of loan carrying values)	-	133,518
Net profit/(loss) on disposal & refinancing of loans	(268)	14,694
Net profit on disposal of property assets	814	814
<b>Profit on disposal of loans and property assets</b>	<b>546</b>	<b>149,026</b>

For certain assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans and is assessed for recognition semi-annually in accordance with accounting policy 2.10.

The Group disposes of certain loans and receivables to third parties. Profit or loss on disposal of loans is measured as the difference between the cash received, including any deferred consideration, less related selling expenses less the net carrying value of those loans and receivables.

The following table summarises NAMA's overall profit/(loss) recognised on the transactions relating to the disposal of underlying collateral and loans:

	Profit / (loss)			Profit / (loss)		
	For the period from 1 Jan 2017 to 30 September 2017			For the period from inception to 30 September 2017		
	Disposals of underlying collateral	Disposals of loans	Total	Disposals of underlying collateral	Disposals of loans	Total
	€m	€m	€m	€m	€m	€m
Proceeds	1,021	769	1,790	29,555	10,373	39,928
Profit / (loss) recognised in income statement (Note 6)	134	15	149	3,348	1,049	4,397
Crystallisation of existing impairment provision (Note 15)	(116)	(10)	(126)	(171)	(2,207)	(2,378)
<b>Total</b>	<b>18</b>	<b>5</b>	<b>23</b>	<b>3,177</b>	<b>(1,158)</b>	<b>2,019</b>

The crystallisation of existing impairment provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of underlying collateral and loans to date. It does not represent an income statement charge in the period of crystallisation. Instead, the Income Statement recognition occurred when the impairment provision was previously historically recorded. Combined with the 'Profit/(loss) recognised in income statement', it presents an overall profit/(loss) in respect of the disposal of underlying collateral and loans for the period.

## 7 Gains / (losses) on derivative financial instruments

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Fair value losses on derivatives acquired from borrowers	(325)	(1,760)
Fair value gains on other derivatives	60	742
<b>Total losses on derivative financial instruments</b>	<b>(265)</b>	<b>(1,018)</b>

Fair value movements on derivatives are driven by market movements that occurred during the year. The fair value of these swaps are impacted by changes in Eur bor rates and borrower derivatives performance levels. Further information on derivative financial instruments is provided in Note 14.

Gains or losses arising on derivatives acquired from borrowers comprise fair value movements on these derivatives. Other derivatives hedge NAMA's interest rate risk exposure arising from derivatives acquired from the participating institutions. Hedge accounting has not been applied on these derivatives.

## 8 Administration expenses

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Costs reimbursable to the NTMA	9,418	27,955
Primary servicer fees	2,412	7,405
Finance, communication and technology costs	1,116	3,432
Legal fees	1,271	3,665
Portfolio management fees	193	1,909
Rent and occupancy costs	858	1,859
Master servicer fees	369	1,108
Internal audit fees	187	563
External audit remuneration	133	405
Board and Committee fees and expenses	108	336
<b>Total administration expenses</b>	<b>16,065</b>	<b>48,637</b>

Under Section 42 (4) of the Act, the Agency shall reimburse the NTMA for the costs incurred by the NTMA as a consequence of its assignment of staff to the NAMA Group Entities. See 8.1 below for further breakdown of such costs.

NAMA Board and Advisory Committee fees are paid to Board members and external members of Committees. Brendan McDonagh (CEO, NAMA) and Conor O'Kelly (CEO, NTMA) receive no payment as members of the NAMA Board.

### 8.1 Costs reimbursable to the NTMA

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Staff costs	7,582	22,346
Overheads and shared service costs	1,836	5,609
<b>Total</b>	<b>9,418</b>	<b>27,955</b>

## 9 Foreign exchange gains / (losses)

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
Foreign exchange translation losses on loans and receivables	(2,079)	(18,450)
Unrealised foreign exchange losses on derivative financial instruments	(17,264)	(17,244)
Realised foreign exchange gains on derivative financial instruments	18,028	30,852
Foreign exchange gains / (losses) on cash	180	(387)
Other foreign exchange losses	(33)	(308)
<b>Total foreign exchange losses</b>	<b>(1,168)</b>	<b>(5,537)</b>

Foreign exchange translation gains and losses on loans and receivables arise on the revaluation of foreign currency denominated loans and receivables. Foreign currency translation amounts are recognised in accordance with accounting policy 2.4.

Gains and losses on foreign exchange derivatives arise from market movements that affect the value of the derivatives at the reporting date.

Following the transfer of assets from the Participating Institutions, the Group entered into currency derivative contracts to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired. The gain or loss on derivative products comprises both realised and unrealised gains and losses. Realised and unrealised gains and losses are recognised in accordance with accounting policy 2.14. Currency derivatives are explained in more detail in Note 14.

## 10 Tax charge

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
<b>Current tax charge</b>		
Corporation tax	(13,008)	(65,024)
<b>Deferred tax credit</b>		
On fair value gains and losses on derivatives and investments in equity instruments (note 20)	7,915	9,102
<b>Total taxation charge</b>	<b>(5,093)</b>	<b>(55,922)</b>

## 11 Cash, cash equivalents and collateral

	30 Sept 2017 €000	30 Jun 2017 €000
Balances with the Central Bank of Ireland	251,087	184,503
Balances with other banks	43,545	55,897
Exchequer note investments	400,000	350,000
<b>Total cash and cash equivalents</b>	<b>694,632</b>	<b>590,400</b>
Cash placed as collateral with the NTMA	25,000	25,000
<b>Total cash, cash equivalents and collateral</b>	<b>719,632</b>	<b>615,400</b>

Balances with other banks comprise balances held with Citibank, AIB and BNP. Exchequer notes are short term interest bearing notes, with maturities generally less than 30 days, which are held with the NTMA.

In accordance with an agreement entered into between NAMA and the NTMA in 2012, NAMA is required to post cash collateral with the NTMA under a collateral posting agreement (CPA). The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. At 30 September 2017, NAMA's derivative liability exposure was €3m as set out in Note 14.

## 12 Financial assets available for sale

	30 Sept 2017 €000	30 Jun 2017 €000
Irish Government bonds	512,681	511,099

Financial assets available for sale comprise Irish government treasury bonds acquired for liquidity management.

## 13 Amounts due from/(to) Participating Institutions

NAMA legally acquired overdraft accounts attached to debtor loan accounts in 2010 and 2011. At 30 September 2017 the following amounts were receivable from and payable to the Participating Institutions for cash collected or paid out by the Participating Institutions in relation to NAMA debtors' overdraft accounts. All amounts are classified as current.

	30 Sept 2017 €000	30 Jun 2017 €000
Amounts due from Participating Institutions	20,207	20,233
Amounts due to Participating Institutions	(10,699)	(10,705)

## 14 Derivative financial instruments

	30 Sept 2017 €000	30 Jun 2017 €000
<i>Derivative assets at fair value through profit or loss</i>		
Derivative financial instruments acquired from borrowers	17,324	17,867
Foreign currency derivatives	-	5,869
<b>Total derivative assets</b>	<b>17,324</b>	<b>23,736</b>
<i>Derivative liabilities at fair value through profit or loss</i>		
Other derivative financial instruments	(2,573)	(2,634)
Foreign currency derivatives	(11,752)	(357)
<b>Total derivative liabilities</b>	<b>(14,325)</b>	<b>(2,991)</b>

Derivative financial instruments at fair value through profit or loss

Derivative financial instruments acquired from borrowers relate to the fair value of derivatives acquired from borrowers that were associated with loans acquired.

Other derivative financial instruments relate to the fair value of derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers. These derivatives have not been designated into hedge relationships.

NAMA uses currency derivatives to hedge the foreign exchange exposure which arose on the transfer of foreign currency loans from Participating Institutions in exchange for Euro denominated NAMA bonds. The foreign currency derivatives are used to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans and receivables acquired.

## 15 Loans and receivables (net of impairment)

	30 Sept 2017 €000	30 Jun 2017 €000
Loans and receivables carrying value before impairment	5,164,040	5,168,457
Less: provision for impairment charges on loans and receivables	(1,430,991)	(1,456,783)
<b>Total loans and receivables (net of impairment)</b>	<b>3,733,049</b>	<b>3,711,674</b>

The above note reflects the carrying value of the Group's loans acquired from the Participating Institutions, taking into account the amount the Group acquired the loans for (which was at a discount to the contractual amounts owed under the loan agreements), and loan movements since acquisition, less any additional impairment deemed to have occurred subsequent to acquisition.

The following table summarises the movement in loans and receivables.

<b><u>Reconciliation of movement in loans and receivables</u></b>	<b>For the quarter from 1 Jul 2017 to 30 Sept 2017 €000</b>	<b>For the period from 1 Jan 2017 to 30 Sept 2017 €000</b>
Opening balance	5,168,457	5,479,594
<b>New loans issued/acquired</b>	<b>18,000</b>	<b>18,000</b>
<b>Proceeds from and payments to borrowers</b>		
Non-disposal income	(23,562)	(84,748)
Proceeds from the sale of collateral as security against loans and receivables and other loan repayments	(180,525)	(795,457)
Proceeds from the sale of loans	-	(8,885)
Funds in the course of collection	(903)	(3,289)
Funds advanced to borrowers	158,251	384,033
<b>Total proceeds from and payments to borrowers</b>	<b>(46,739)</b>	<b>(508,346)</b>
<b>Other loan movements</b>		
Loan interest income	51,037	177,323
(Loss) / profit on disposal of loans (excluding loan sale costs)	-	15,963
Surplus income	-	133,518
Costs recoverable from borrowers	1,277	3,314
Foreign exchange loss on loans and receivables	(2,079)	(18,450)
Impairment crystallised from disposals	(25,048)	(126,533)
Shareholder loans issued	2,978	2,978
Conversion of shareholder loans to equity	(3,949)	(12,243)
Other loan movements	107	(1,077)
<b>Total other loan movements</b>	<b>24,323</b>	<b>174,793</b>
<b>Total loan movements</b>	<b>(4,417)</b>	<b>(315,554)</b>
<b>Loans and receivables pre impairment</b>	<b>5,164,040</b>	<b>5,164,040</b>
Provision for impairment of loans and receivables	(1,430,991)	(1,430,991)
<b>Net loans and receivables after impairment</b>	<b>3,733,049</b>	<b>3,733,049</b>

	For the quarter from 1 Jul 2017 to 30 Sept 2017 €000	For the period from 1 Jan 2017 to 30 Sept 2017 €000
<b>Impairment provision</b>		
Balance at the beginning of the period	1,456,783	1,560,929
Release of specific provision	25,792	129,938
Total movement in provision (Note (i))	<u>25,792</u>	<u>129,938</u>
<b>Balance at 30 September 2017</b>	<b>1,430,991</b>	<b>1,430,991</b>
<b>Note (i)</b>		
Recognised in income statement	(744)	(3,405)
Recognised against loans and receivables	<u>(25,048)</u>	<u>(126,533)</u>
	<b>(25,792)</b>	<b>(129,938)</b>

Impairment is assessed semi-annually. The movement in the provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of loans.

#### 16 Other assets

	30 Sept 2017 €000	30 Jun 2017 €000
Accrued swap interest receivable	330	850
Interest receivable on available for sale assets	266	13,277
Deferred consideration receivable from loan sales	3,205	3,214
Tax prepaid	88,712	88,712
Other assets	2,715	3,026
<b>Total other assets</b>	<b>95,228</b>	<b>109,079</b>

The Group made a preliminary corporation tax payment in November 2016 of €159m in respect of its corporation tax liability for 2016. The corporation tax liability for 2016 computed at end-December 2016 amounted to €143m resulting in an overpayment of €16m. This is recognised as a tax prepayment to be offset against the 2017 tax liability. A further prepayment of €63m was made to Revenue in June 2017, in respect of the 2017 tax liability. Tax prepaid also includes a Section 96.3 tax prepayment of €9m.

#### 17 Inventories - trading properties

	30 Sept 2017 €000	30 Jun 2017 €000
Inventories - trading properties	<u>279,507</u>	<u>348,739</u>

The Group acquires trading properties either in settlement of debt or where the asset is deemed to be of strategic importance to the Group objectives. Trading properties are recognised in accordance with accounting policy 2.15.

#### 18 Property, plant and equipment

	30 Sept 2017 €000	30 Jun 2017 €000
Lease fit out costs	<u>1,344</u>	<u>1,344</u>

Property, plant and equipment relates to lease fit out costs incurred to date. The assets are depreciated annually at 31 December on a straight line basis over 10 years in accordance with accounting policy 2.23. A full year's depreciation is charged in the year the lease fit out costs are incurred and capitalised.

#### 19 Investments in equity instruments

	30 Sept 2017 €000	30 Jun 2017 €000
Investments in equity instruments measured at fair value	<u>70,972</u>	<u>57,852</u>



The Group may invest in equity instruments to maximise value and to facilitate the effective delivery of commercial or residential developments. The movement in the value of investments in equity instruments is a combination of fair value movements and acquisitions and disposals.

## 20 Deferred tax

	Deferred tax on derivatives, equity instruments & AFS		Total
	Assets €000	(Liabilities) €000	€000
Balance at 1 July 2017	851	(13,522)	(12,671)
Movement in the period	1,043	9,427	10,470
Balance at 30 September 2017	<b>1,894</b>	<b>(4,095)</b>	<b>(2,201)</b>
		<b>For the quarter from 1 Jul 2017 to 30 Sept 2017</b>	<b>For the period from 1 Jan 2017 to 30 Sept 2017</b>
		€000	€000
Movement recognised in the income statement (Note 10)		7,915	9,102
Movement recognised in reserves (Note 25)		2,555	(609)
<b>Net movement in deferred tax</b>		<b>10,470</b>	<b>8,493</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

## 21 Other liabilities

	30 Sept 2017 €000	30 Jun 2017 €000
Accrued swap interest payable on other derivatives	39	385
Interest payable on cash and cash equivalents	405	211
Accrued expenses	10,766	12,151
VAT payable	5,201	4,848
Other liabilities	889	891
<b>Total other liabilities</b>	<b>17,300</b>	<b>18,486</b>

Interest is payable on cash and cash equivalents as a result of negative Euribor interest rates.

## 22 Senior debt securities in issue

	For the quarter from 1 Jul 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
In issue at beginning of period	1,452,000	2,590,000
Redeemed during the period	(952,000)	(2,090,000)
<b>In issue at end of period</b>	<b>500,000</b>	<b>500,000</b>

### Terms of notes issued for the acquisition of loans by National Asset Loan Management D.A.C.

The total debt securities outstanding at 30 September 2017 issued in respect of the original acquisition of loans by NALM is €0.5bn (Q2: €0.5bn). The debt securities are all government guaranteed floating rate notes, which were issued by NAM and transferred to NAMGS under a profit participating loan facility and by NAMGS to NALM. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

Interest accrues from the issue date of the Notes and is paid semi annually on 1 March and 1 September. The interest rate is 6 month Euribor reset on 1 March and 1 September in each year. Euro denominated notes only have been issued.

The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Rejection Notice) to physically settle all, or some only, of the securities at maturity which may be up to 364 days from the date of issue, notwithstanding that the existing security may have had a shorter maturity.

All of the securities which matured on 1 March 2017 were physically settled by issuing new securities with a maturity of 1 March 2018, with the exception of one noteholder, whose securities were settled in cash.

The subordinated fixed rate bonds are classified as equity and disclosed in note 24.

## 23 Tax payable

	30 Sept 2017	30 Jun 2017
	€000	€000
Professional services withholding tax and other taxes payable	170	269
Dividend withholding tax	653	653
Current tax liability	64,372	51,364
<b>Total tax payable</b>	<b>65,195</b>	<b>52,286</b>

Included in the current tax liability figure is an accrual of €65m relating to potential 2017 corporation tax liabilities.

## 24 Other equity instruments

	For the quarter from 1 July 2017 to 30 Sept 2017	For the period from 1 Jan 2017 to 30 Sept 2017
	€000	€000
In issue at beginning and the end of quarter	1,593,000	1,593,000

### Terms of the instrument

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued by NAM and the proceeds transferred to NALM under a profit participating loan arrangement. The latter company used these securities as consideration (5%) for the loan portfolio acquired from each of the Participating Institutions.

The interest rate on the instruments is the 10 year Irish Government rate at the date of first issuance, plus 75 basis points. Hence, the coupon rate has been set at a fixed return of 5.264%. Interest is paid annually if deemed appropriate to do so, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate. In February 2017, NAMA declared a payment of a coupon of €3.86m on its subordinated bonds, which was paid on 28th February 2017.

Although the bonds are perpetual in nature, the issuer may "call" (i.e. redeem) the bonds on the first call date (which is 10 years from the date of issuance), and every Interest Payment date thereafter (regardless of whether interest is to be paid or not).

Under IAS 32, 'Financial Instruments: Presentation', it is the substance of the contractual arrangement of a financial instrument, rather than its legal form, that governs its classification. As the subordinated notes contain no contractual obligation to make any payments (either interest or principal) should the Group not wish to make any payments, in accordance with IAS 32 the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments (Note 26).

## 25 Other reserves

	For the quarter from 1 Jul 2017 to 30 Sept 2017 €000	For the period from 1 Jan 2017 to 30 Sept 2017 €000
<b>Other reserves are analysed as follows:</b>		
<b>Available for sale reserve</b>		
At the beginning of the period	13,082	13,516
Net changes in fair value	(11,372)	(8,642)
Deferred tax recognised in other reserves (note 20)	2,555	(609)
<b>At the end of the period</b>	<b>4,265</b>	<b>4,265</b>
<b>Total other reserves</b>	<b>4,265</b>	<b>4,265</b>

The available for sale reserve comprises fair value movements on Irish government bonds, classified as available for sale assets. All fair value gains and losses on these bonds are recognised in the reserve.

## 26 Retained earnings

	For the quarter from 1 July 2017 to 30 Sept 2017 €000	For the period from 1 Jan 2017 to 30 Sept 2017 €000
At the beginning of the period	3,144,935	3,034,419
Profit for the period	47,025	241,943
Dividend paid on B ordinary shares	-	(547)
Coupon paid on subordinated bonds	-	(83,856)
<b>At the end of the period</b>	<b>3,191,960</b>	<b>3,191,960</b>

On 31 March 2017, the Board of NAMAI declared and approved a dividend payment of €0.01072 per share, amounting to €0.547m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2017. The dividend was paid to the holders of B ordinary shares of NAMAI only, the private investors, who have ownership of 51% in the Company. No dividends were paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

In February 2017, the Board of NAMA resolved that it was appropriate, in the context of NAMA's overall aggregate financial performance and objectives, that the annual coupon on the subordinated bonds of €83.86m due on 1 March 2017 be paid. The subordinated bonds are classified as equity in the statement of financial position, and related payments thereon are classified as coupon payments. Refer to Note 24 for further details in this regard.

Non-controlling interests in subsidiaries comprises ordinary share capital in subsidiaries not attributable directly or indirectly to the parent entity. In respect of the Group this represents the investment by private investors in the ordinary share capital of NAMAI.

NAMA has, along with the private investors, invested in NAMAI. NAMA holds 49% of the issued share capital of NAMAI and the remaining 51% of the share capital is held by private investors. Under the terms of the shareholders' agreement between NAMA and the private investors, NAMA can exercise a veto over decisions taken by NAMAI.

Under the shareholders' agreement, the maximum return which will be paid to the private investors by way of dividend is restricted to the 10 year Irish Government Bond Yield applying at the date of the declaration of the dividend. In addition the maximum investment return to the private investors is capped under the Articles of Association of NAMAI.

NAMA's ability to veto decisions taken by NAMAI restricts the ability of the private investors to control the financial and operating policies of the Group, and as a result NAMA has effective control over NAMAI and the subsidiaries in the Group, as well as substantially all the economic benefits and risks of the Group. While the private investors are subject to the risk that NAMAI may incur losses and the full value of their investment may not be recovered, they are not required to contribute any further capital to NAMAI.

NAMA Group														
Section 55 (6) (j): Income Statement by NAMA group entity														
For the period from 1 January 2017 to 30 September 2017														
	National Asset Loan Management	North Wall Plaza Management Co.	National Asset North Quays	National Asset Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	180,883	-	-	145	-	163	-	-	-	-	190	(2)	-	181,379
Interest and similar expense	(2,982)	-	-	-	-	(21)	-	-	-	(190)	-	95	-	(3,098)
<b>Net interest income / (expense)</b>	<b>177,901</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(190)</b>	<b>190</b>	<b>93</b>	<b>-</b>	<b>178,281</b>
Other income/(expenses)	5,935	13	409	8,349	16	-	7,623	-	-	-	-	30,021	(30,021)	22,345
Net profit/(loss) on disposal of loans and property; and surplus income	148,212	-	-	-	814	-	-	-	-	-	-	-	-	149,026
Gains/(losses) on derivative financial instruments	(1,018)	-	-	-	-	-	-	-	-	-	-	-	-	(1,018)
<b>Total operating income / (expense)</b>	<b>331,030</b>	<b>13</b>	<b>409</b>	<b>8,494</b>	<b>830</b>	<b>142</b>	<b>7,623</b>	<b>-</b>	<b>-</b>	<b>(190)</b>	<b>190</b>	<b>30,114</b>	<b>(30,021)</b>	<b>348,634</b>
Administration expenses	(47,366)	(13)	(171)	(232)	(309)	-	(217)	-	-	-	-	(30,350)	30,020	(48,637)
Foreign exchange gains and losses	(5,438)	-	-	-	-	(99)	-	-	-	-	-	-	-	(5,537)
<b>Operating profit / (loss) before impairment</b>	<b>278,226</b>	<b>-</b>	<b>238</b>	<b>8,262</b>	<b>521</b>	<b>43</b>	<b>7,406</b>	<b>-</b>	<b>-</b>	<b>(190)</b>	<b>190</b>	<b>(236)</b>	<b>(1)</b>	<b>294,460</b>
Impairment credit on loans and receivables	3,405	-	-	-	-	-	-	-	-	-	-	-	-	3,405
<b>Profit / (loss) for the year before income tax</b>	<b>281,631</b>	<b>-</b>	<b>238</b>	<b>8,262</b>	<b>521</b>	<b>43</b>	<b>7,406</b>	<b>-</b>	<b>-</b>	<b>(190)</b>	<b>190</b>	<b>(236)</b>	<b>(1)</b>	<b>297,865</b>
Tax credit/(charge)	8,616	-	-	486	-	-	-	-	-	(65,000)	(24)	-	-	(55,922)
<b>Profit/(loss) for the year</b>	<b>290,247</b>	<b>-</b>	<b>238</b>	<b>8,748</b>	<b>521</b>	<b>43</b>	<b>7,406</b>	<b>-</b>	<b>-</b>	<b>(65,190)</b>	<b>166</b>	<b>(236)</b>	<b>(1)</b>	<b>241,943</b>

NAMA Group														
Section 55 (6) (j): Income Statement by NAMA group entity														
For the period from 1 July 2017 to 30 September 2017														
	National Asset Loan Management	North Wall Plaza Management Co.	National Asset North Quays	National Asset Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	52,905	-	-	106	-	53	-	-	-	-	64	(128)	-	53,128
Interest and similar expense	(742)	-	-	-	-	(7)	-	-	-	(64)	-	95	-	(778)
<b>Net interest income / (expense)</b>	<b>52,163</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(64)</b>	<b>64</b>	<b>(33)</b>	<b>-</b>	<b>52,350</b>
Other income/(expenses)	5,066	1	139	8,061	5	-	2,704	-	-	-	-	30,021	(10,436)	15,976
Net profit/(loss) on disposal of loans and property; and surplus income	(268)	-	-	-	814	-	-	-	-	-	-	-	-	546
Gains/(losses) on derivative financial instruments	(265)	-	-	-	-	-	-	-	-	-	-	-	-	(265)
<b>Total operating income / (expense)</b>	<b>56,696</b>	<b>1</b>	<b>139</b>	<b>8,167</b>	<b>819</b>	<b>46</b>	<b>2,704</b>	<b>-</b>	<b>-</b>	<b>(64)</b>	<b>64</b>	<b>29,988</b>	<b>(10,436)</b>	<b>68,608</b>
Administration expenses	(15,661)	(1)	24	(178)	(120)	-	(22)	-	-	-	-	(30,350)	10,436	(16,065)
Foreign exchange gains and losses	(1,138)	-	-	-	-	(30)	-	-	-	-	-	-	-	(1,168)
<b>Operating profit / (loss) before impairment</b>	<b>39,897</b>	<b>-</b>	<b>163</b>	<b>7,989</b>	<b>699</b>	<b>16</b>	<b>2,682</b>	<b>-</b>	<b>-</b>	<b>(64)</b>	<b>64</b>	<b>(362)</b>	<b>-</b>	<b>51,375</b>
Impairment credit on loans and receivables	744	-	-	-	-	-	-	-	-	-	-	-	-	744
<b>Profit / (loss) for the year before income tax</b>	<b>40,641</b>	<b>-</b>	<b>163</b>	<b>7,989</b>	<b>699</b>	<b>16</b>	<b>2,682</b>	<b>-</b>	<b>-</b>	<b>(64)</b>	<b>64</b>	<b>(362)</b>	<b>-</b>	<b>52,119</b>
Tax credit/(charge)	8,213	-	-	(298)	-	-	-	-	-	(13,000)	(8)	16	-	(5,093)
<b>Profit/(loss) for the year</b>	<b>48,854</b>	<b>-</b>	<b>163</b>	<b>7,691</b>	<b>699</b>	<b>16</b>	<b>2,682</b>	<b>-</b>	<b>-</b>	<b>(13,064)</b>	<b>56</b>	<b>(346)</b>	<b>-</b>	<b>47,026</b>

NAMA Group														
Section 55 (6) (i) Statement of Financial Position by NAMA group entity as at 30 September 2017														
	National Asset Loan Management	North Wall Plaza Management Co.	National Asset North Quays	National Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>														
Cash and cash equivalents	680,168	-	1,100	1,258	2,952	-	8,795	-	-	-	251	108	-	694,632
Cash placed as collateral with the NTMA	25,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Financial Assets available for sale	512,681	-	-	-	-	-	-	-	-	-	-	-	-	512,681
Amounts due from Participating Institutions	20,207	-	-	-	-	-	-	-	-	-	-	-	-	20,207
Derivative financial instruments	17,324	-	-	-	-	-	-	-	-	-	-	-	-	17,324
Loans and receivables (net of impairment)	3,701,914	-	9,942	18,211	-	2,982	-	-	-	-	-	-	-	3,733,049
Other assets	728,640	14	-	-	85	-	1,114	-	5,551,621	5,557,383	105,199	3,325,667	(15,174,495)	95,228
Inventories - trading properties	1,300	-	21,750	-	61,578	-	195,179	-	-	-	-	-	(300)	279,507
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	1,344	-	1,344
Investments in equity instruments	42,065	-	-	28,908	533	-	-	-	-	-	-	49,000	(49,534)	70,972
<b>Total assets</b>	<b>5,729,299</b>	<b>14</b>	<b>32,792</b>	<b>48,377</b>	<b>65,148</b>	<b>2,982</b>	<b>205,088</b>	<b>-</b>	<b>5,551,621</b>	<b>5,557,383</b>	<b>105,450</b>	<b>3,376,119</b>	<b>(15,224,327)</b>	<b>5,449,944</b>
<b>Liabilities</b>														
Amounts due to Participating Institutions	10,699	-	-	-	-	-	-	-	-	-	-	-	-	10,699
Derivative financial instruments	14,325	-	-	-	-	-	-	-	-	-	-	-	-	14,325
Other liabilities	5,550,355	14	32,177	36,724	70,378	2,099	200,354	-	5,551,616	3,684,478	913	62,680	(15,174,488)	17,300
Senior debt securities in issue	-	-	-	-	-	-	-	-	-	500,000	-	-	-	500,000
Tax payable	170	-	-	-	-	-	-	-	-	65,001	24	-	-	65,195
Deferred tax	1,840	-	-	361	-	-	-	-	-	-	-	-	-	2,201
<b>Total liabilities</b>	<b>5,577,389</b>	<b>14</b>	<b>32,177</b>	<b>37,085</b>	<b>70,378</b>	<b>2,099</b>	<b>200,354</b>	<b>-</b>	<b>5,551,616</b>	<b>4,249,479</b>	<b>937</b>	<b>62,680</b>	<b>(15,174,488)</b>	<b>609,720</b>
<b>Equity</b>														
Share capital	-	-	-	-	-	6,332	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	-	1,593,000	-	-	-	1,593,000
Retained earnings	147,645	-	615	11,292	(5,230)	(5,449)	4,734	-	5	(285,096)	4,513	3,262,439	56,492	3,191,960
Other reserves	4,265	-	-	-	-	-	-	-	-	-	-	-	-	4,265
Equity and reserves attributable to owners of the Group	151,910	-	615	11,292	(5,230)	883	4,734	-	5	1,307,904	104,513	3,262,439	(49,839)	4,789,224
Non controlling interests	-	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
<b>Total equity and reserves</b>	<b>151,910</b>	<b>-</b>	<b>615</b>	<b>11,292</b>	<b>(5,230)</b>	<b>883</b>	<b>4,734</b>	<b>-</b>	<b>5</b>	<b>1,307,904</b>	<b>104,513</b>	<b>3,313,439</b>	<b>(49,839)</b>	<b>4,840,224</b>
<b>Total equity &amp; liabilities</b>	<b>5,729,299</b>	<b>14</b>	<b>32,792</b>	<b>48,377</b>	<b>65,148</b>	<b>2,982</b>	<b>205,088</b>	<b>-</b>	<b>5,551,621</b>	<b>5,557,383</b>	<b>105,450</b>	<b>3,376,119</b>	<b>(15,224,327)</b>	<b>5,449,944</b>

NAMA Group														
Section 55 (6) (i) Statement of Financial Position by NAMA group entity as at 30 June 2017														
	National Asset Loan Management	North Wall Plaza Management Co.	National Asset North Quays	National Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>														
Cash and cash equivalents	571,381	-	957	8,678	2,233	-	6,681	-	-	-	251	219	-	590,400
Cash placed as collateral with the NTMA	25,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Financial Assets available for sale	511,099	-	-	-	-	-	-	-	-	-	-	-	-	511,099
Amounts due from Participating Institutions	20,233	-	-	-	-	-	-	-	-	-	-	-	-	20,233
Derivative financial instruments	23,736	-	-	-	-	-	-	-	-	-	-	-	-	23,736
Loans and receivables (net of impairment)	3,694,892	-	9,802	3,949	-	3,031	-	-	-	-	-	-	-	3,711,674
Other assets	804,480	14	-	-	82	-	1,240	-	5,551,622	5,563,870	105,135	3,325,559	(15,242,923)	109,079
Inventories - trading properties	1,300	-	21,750	-	119,120	-	206,869	-	-	-	-	-	(300)	348,739
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	1,344	-	1,344
Investments in equity instruments	41,575	-	-	16,277	533	-	-	-	-	-	-	49,000	(49,533)	57,852
<b>Total assets</b>	<b>5,693,696</b>	<b>14</b>	<b>32,509</b>	<b>28,904</b>	<b>121,968</b>	<b>3,031</b>	<b>214,790</b>	<b>-</b>	<b>5,551,622</b>	<b>5,563,870</b>	<b>105,386</b>	<b>3,376,122</b>	<b>(15,292,754)</b>	<b>5,399,156</b>
<b>Liabilities</b>														
Amounts due to Participating Institutions	10,705	-	-	-	-	-	-	-	-	-	-	-	-	10,705
Derivative financial instruments	2,991	-	-	-	-	-	-	-	-	-	-	-	-	2,991
Other liabilities	5,555,250	14	32,057	25,240	127,897	2,164	212,738	-	5,551,617	3,690,901	913	62,611	(15,242,916)	18,486
Senior debt securities in issue	-	-	-	-	-	-	-	-	-	500,000	-	-	-	500,000
Tax payable	269	-	-	-	-	-	-	-	-	52,001	16	-	-	52,286
Deferred tax	12,608	-	-	63	-	-	-	-	-	-	-	-	-	12,671
<b>Total liabilities</b>	<b>5,581,823</b>	<b>14</b>	<b>32,057</b>	<b>25,303</b>	<b>127,897</b>	<b>2,164</b>	<b>212,738</b>	<b>-</b>	<b>5,551,617</b>	<b>4,242,902</b>	<b>929</b>	<b>62,611</b>	<b>(15,242,916)</b>	<b>597,139</b>
<b>Equity</b>														
Share capital	-	-	-	-	-	6,332	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	-	1,593,000	-	-	-	1,593,000
Retained earnings	98,791	-	452	3,601	(5,929)	(5,465)	2,052	-	5	(272,032)	4,457	3,262,511	56,491	3,144,935
Other reserves	13,082	-	-	-	-	-	-	-	-	-	-	-	-	13,082
Equity and reserves attributable to owners of the Group	111,873	-	452	3,601	(5,929)	867	2,052	-	5	1,320,968	104,457	3,262,511	(49,837)	4,751,017
Non controlling interests	-	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
<b>Total equity and reserves</b>	<b>111,873</b>	<b>-</b>	<b>452</b>	<b>3,601</b>	<b>(5,929)</b>	<b>867</b>	<b>2,052</b>	<b>-</b>	<b>5</b>	<b>1,320,968</b>	<b>104,457</b>	<b>3,313,511</b>	<b>(49,837)</b>	<b>4,802,017</b>
<b>Total equity &amp; liabilities</b>	<b>5,693,696</b>	<b>14</b>	<b>32,509</b>	<b>28,904</b>	<b>121,968</b>	<b>3,031</b>	<b>214,790</b>	<b>-</b>	<b>5,551,622</b>	<b>5,563,870</b>	<b>105,386</b>	<b>3,376,122</b>	<b>(15,292,753)</b>	<b>5,399,156</b>

**Supplementary information required under Section 54 of the Act**

In accordance with the requirements of Section 54 (2) and (3) and Section 55 (6) (k) of the NAMA Act 2009 the following additional information is provided, in respect of NAMA and each of its Group entities for the quarter.

**3 (i) SECTION 54 (2) - ADMINISTRATION FEES AND EXPENSES INCURRED BY NAMA AND EACH NAMA GROUP ENTITY**

<b>Administration Expenses by NAMA group entity</b>									
<b>For the quarter from 1 July 2017 to 30 September 2017</b>									
	<b>NALM</b>	<b>NWPMC</b>	<b>NANQ</b>	<b>NAJVA</b>	<b>NAPM</b>	<b>NASLLC</b>	<b>NARPS</b>	<b>NAMA</b>	<b>NAMA Group Consolidated Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Costs reimbursable to the NTMA	9,418	-	-	-	-	-	-	-	9,418
Primary Servicer fees	2,412	-	-	-	-	-	-	-	2,412
Master servicer fees	369	-	-	-	-	-	-	-	369
Portfolio management fees	214	-	2	-	(57)	-	34	-	193
Finance, communication and technology costs	1,091	-	15	10	-	-	-	-	1,116
Legal fees	979	-	(41)	168	177	-	(12)	-	1,271
Rent and occupancy costs	858	-	-	-	-	-	-	-	858
Internal audit fees	187	-	-	-	-	-	-	-	187
Board and Committee fees and expenses	-	1	-	-	-	-	-	107	108
External audit remuneration	133	-	-	-	-	-	-	-	133
	<b>15,661</b>	<b>1</b>	<b>(24)</b>	<b>178</b>	<b>120</b>	<b>-</b>	<b>22</b>	<b>107</b>	<b>16,065</b>



**3 (ii) SECTION 54 (3) (A) - DEBT SECURITIES ISSUED FOR THE PURPOSES OF THE ACT**

	Outstanding at 30 September 2017 €000
Senior notes issued by NAM	500,000
Subordinated debt issued by NAM	1,593,000
<b>Total</b>	<b>2,093,000</b>

**3 (iii) SECTION 54 (3) (B) - DEBT SECURITIES ISSUED AND REDEEMED IN THE PERIOD**

**Government guaranteed senior debt securities**

Financial Institution	Outstanding at 30 June 2017 €000	Redeemed €000	Outstanding at 30 Sept 2017 €000
AIB	360,000	-	360,000
BOI	90,000	-	90,000
PTSB	50,000	-	50,000
<b>Total</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>

**Subordinated debt securities held**

Financial Institution	Outstanding at 30 Sept 2017 €000	Outstanding at 30 June 2017 €000
AIB	451,000	451,000
BOI	281,000	281,000
EBS	20,000	20,000
Other Noteholders	841,000	841,000
<b>Total</b>	<b>1,593,000</b>	<b>1,593,000</b>

There were no new issuances or transfers of NAMA senior or subordinated bonds during the quarter. No Senior bonds were redeemed in the period.

**3 (iv) SECTION 54 (3) (C) - ADVANCES TO NAMA FROM THE CENTRAL FUND**

There were no advances to NAMA from the Central Fund in the quarter.

**3 (v) SECTION 54 (3) (D) - ADVANCES MADE BY NAMA TO DEBTORS IN THE QUARTER**

Participating Institutions and Primary Servicer	For the quarter from 1 July 2017 to 30 Sept 2017 €000
Capita	64,557
AIB	93,695
<b>Total</b>	<b>158,251</b>

**3 (vi) SECTION 54 (3) (E) - ASSET PORTFOLIOS HELD BY NAMA AND EACH NAMA GROUP ENTITY**

The assets held by NAMA and each NAMA Group entity are set out below. The assets include intergroup assets and liabilities and intergroup profit participating loans between NAMA Group entities.

National Asset Management Agency	30 Sept 2017 €000
Investment in NAMA1	49,000
Cash and cash equivalents	108
Interest receivable on loan to NAM	3,318,667
Receivable from NALM	6,390
Other assets	610
Property, plant and equipment	1,344
<b>Total</b>	<b>3,376,119</b>

3 (vi) SECTION 54 (3) (E) - ASSET PORTFOLIOS HELD BY NAMA AND EACH NAMA GROUP ENTITY - CONTINUED

	30 Sept 2017
<b>National Asset Management Agency Investment</b>	<b>€000</b>
Receivable from NAM	99,900
Receivable from NAM - accrued interest	5,299
Cash and cash equivalents	251
<b>Total</b>	<b>105,450</b>

	30 Sept 2017
<b>National Asset Management</b>	<b>€000</b>
PPL receivable from NAMGS	2,093,000
Receivable from NALM	278,068
PPL interest receivable	3,177,144
Tax prepayments	9,171
<b>Total</b>	<b>5,557,383</b>

	30 Sept 2017
<b>National Asset Management Group Services</b>	<b>€000</b>
PPL receivable from NALM	2,084,506
PPL interest receivable from NALM	3,175,307
PPL receivable from NAJVA	24,710
Inter-group receivable	267,098
<b>Total</b>	<b>5,551,621</b>

	30 Sept 2017
<b>National Asset Loan Management</b>	<b>€000</b>
Investments in equity instruments	42,065
Cash and cash equivalents	680,168
Cash placed as collateral with the NTMA	25,000
Financial assets available for sale	512,681
Amounts due from Participating Institutions	20,207
Derivative financial instruments	17,324
Loans and receivables	3,701,913
Other assets	15,720
Inter-group receivable	712,921
Inventories - trading properties	1,300
<b>Total</b>	<b>5,729,299</b>

	30 Sept 2017
<b>National Asset North Quays</b>	<b>€000</b>
Cash and cash equivalents	1,100
Loans and receivables	9,942
Inventories - trading properties	21,750
<b>Total</b>	<b>32,792</b>

	30 Sept 2017
<b>National Asset JV A</b>	<b>€000</b>
Investments in equity instruments	28,908
Cash and cash equivalents	1,258
Loans and receivables	18,211
<b>Total</b>	<b>48,377</b>

	30 Sept 2017
<b>National Asset Sarasota LLC</b>	<b>€000</b>
Loans and receivables	2,982
<b>Total</b>	<b>2,982</b>

	30 Sept 2017
<b>National Asset Property Management</b>	<b>€000</b>
Cash and cash equivalents	2,952
Investments in equity instruments	533
Inter-group receivable	85
Inventories - trading properties	61,578
<b>Total</b>	<b>65,148</b>

30 Sept 2017	
<b>National Asset Residential Property Services</b>	<b>€000</b>
Cash and cash equivalents	8,795
Other assets	1,114
Inventories - trading properties	195,179
<b>Total</b>	<b>205,088</b>

30 Sept 2017	
<b>North Wall Plaza Management Company</b>	<b>€000</b>
Inter-group receivable	14
	<b>14</b>

30 Sept 2017	
<b>National Asset Leisure Holdings Limited (in Voluntary Liquidation)</b>	<b>€000</b>
Investment in subsidiary <sup>1</sup>	7,686

**3 (vii) SECTION 54 (3) (F) - GOVERNMENT SUPPORT MEASURES INCLUDING GUARANTEES, RECEIVED BY NAMA AND EACH NAMA GROUP ENTITY**

Entity	Description	Amount in issue at 30 September 2017 €000
<b>National Asset Management D.A.C.</b>	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51,300,000,000.	500,000

<sup>1</sup> This amount represents the investment of NALHL in RHLC I and RHLC II. The amount is as per 31 December 2015 final audited results.

#### Supplementary information required under Section 55 of the NAMA Act 2009

In accordance with Section 55 of the Act, the following additional information is provided in respect of NAMA and each of its Group entities:

#### 4 (i) SECTION 55 (5) - GUIDELINES & DIRECTIONS ISSUED BY THE MINISTER FOR FINANCE

##### Compliance with Guidelines Issued by the Minister under Section 13 (NAMA Act 2009) as at 30 September 2017

No guidelines issued

##### Compliance with Directions Issued by the Minister under Section 14 (NAMA Act 2009) as at 30 September 2017

- (1) 14th May 2010 - Direction (Ref 513/43/10) - Pricing of government guaranteed debt issued by NAMA.  
No such debt was issued by NAMA as at 31 March 2016.
- (2) 22nd October 2010 - Expeditious Transfer of Eligible Assets.  
All transfers completed since 22 October 2011 have complied with this Direction.
- (3) 11th May 2011 - Direction (Ref 513/43/10) - Amendment to Senior Notes Terms & Conditions  
All senior notes have been amended in accordance with this Direction.
- (4) 7th March 2012 - NAMA Advisory Group.  
A NAMA Advisory Group has been set up in accordance with this Direction.
- (5) 29th March 2012 - Irish Bank Resolution Corporation - Short Term Financing.  
NAMA adopted all reasonable measures to facilitate the short-term financing of IBRC.
- (6) 31st July 2015 - Direction (513/43/10) - Effect of a potential negative interest rates on the NAMA Senior Note Programme.  
Pursuant to a direction issued by the Minister on 31 July 2015, on 28 January 2016 NAM D.A.C. and Citibank executed documentation to floor the coupon rate on the senior notes in issue at zero if the 6 month Euribor rate is negative.  
This resulted in €4.7bn of cashflow hedge relationships being derecognised on this date.

##### Compliance with Directions Issued by the Minister under Section 13 (IBRC Act 2013) as at 30 September 2017

- (1) 7th February 2013 - Irish Bank Resolution Corporation - Deed of Assignment and Transfer  
NAMA complied with this direction.
- (2) 7th February 2013 - Irish Bank Resolution Corporation - Bid for Assets of IBRC  
NAMA adopted all reasonable measures to bid for the assets of IBRC.
- (3) 7th February 2013 - Irish Bank Resolution Corporation - Short-term facility to the Special Liquidators  
NAMA adopted all reasonable measures to provide short-term facility to the Special Liquidators of IBRC.
- (4) 20th February 2013 - Irish Bank Resolution Corporation - Deed of Assignment and Transfer  
NAMA complied with this direction.

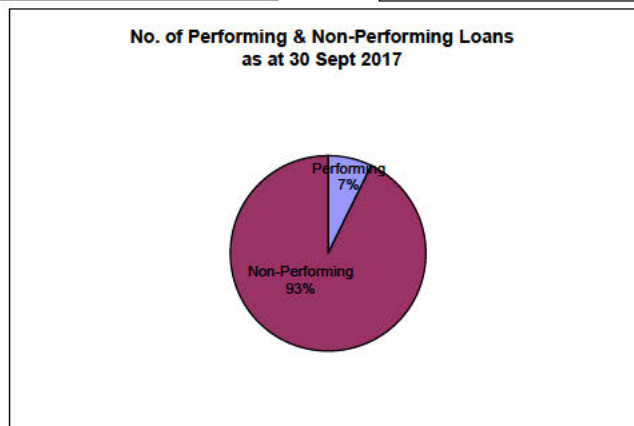
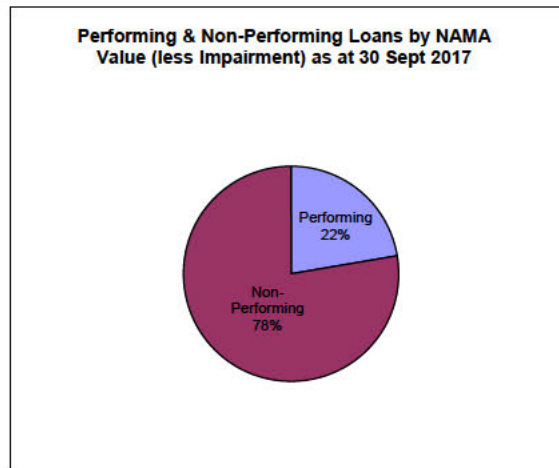
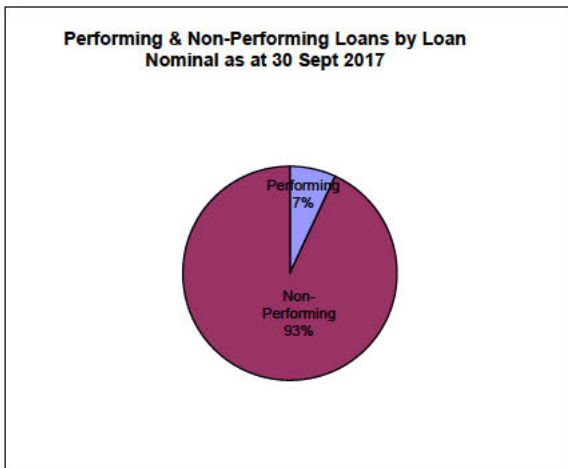
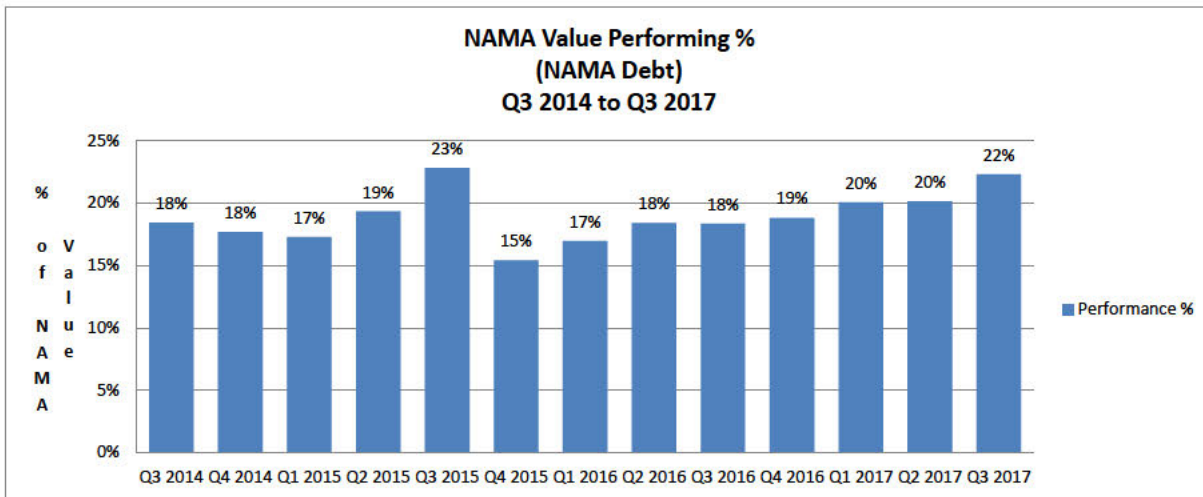
4 (ii) SECTION 55 (6) (A) - NUMBER AND CONDITION OF OUTSTANDING LOANS

Legacy loan facility loan performance metric

Classification	Number	Loan Nominal €m	NAMA Value (pre Impairment) €m	NAMA Value (less Impairment*) €m
Performing	350	1,865	1,153	833
Non-Performing	4,457	24,952	4,011	2,900
<b>Total</b>	<b>4,807</b>	<b>26,817</b>	<b>5,164</b>	<b>3,733</b>

\*The cumulative impairment recognised to 30 Sept 2017 was €1,430 million

Another measure of loan performance is the Loan Payment Status. The Loan Payment Status is a measurement of loan performance based on cash receipts with regard to the contractual obligations of the legacy loan facility. The degree of default measurement is based on the default of the original PAR debt acquired by NAMA from the participating institutions. NAMA value is provided for information purposes and is not measured for degree of default under the same terms as the PAR debt.

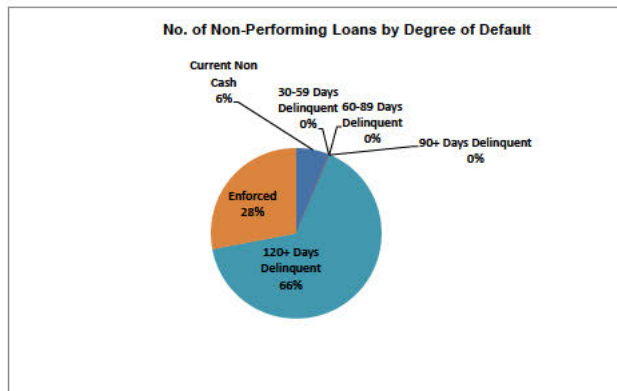
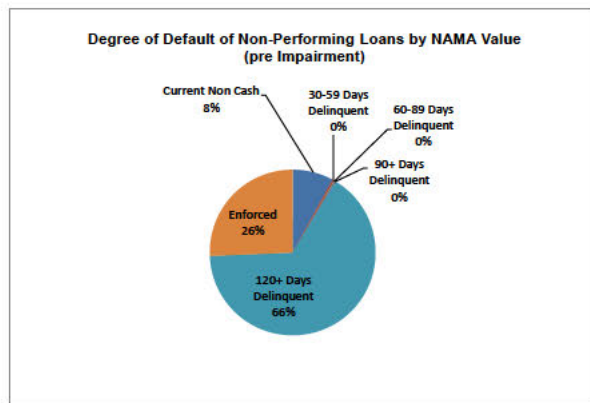
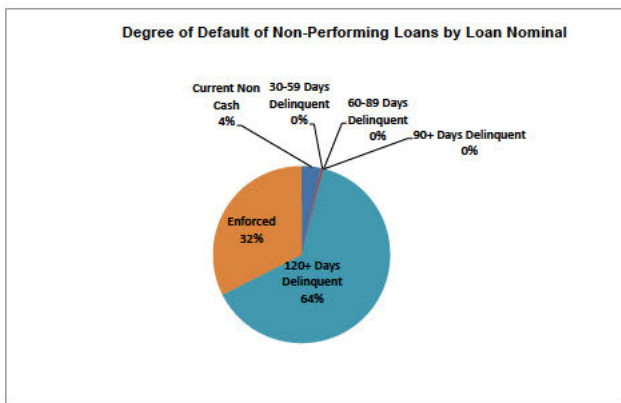


4 (iii) SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT

Categorisation of non performing loans in accordance with the Loan Payment Status as at 30 September 2017

Loan Payment Status	Degree of Default	Number	Loan Nominal €m	NAMA Value (pre Impairment) €m	NAMA Value (less Impairment) €m
9	Current Non Cash	278	892	322	233
1	30-59 Days Delinquent	4	107	15	11
2	60-89 Days Delinquent	1	0	7	4
3	90+ Days Delinquent	4	2	(9)	(6)
4	120+ Days Delinquent	2,923	15,852	2,643	1,911
7 & 8	Enforced	1,247	8,098	1,034	748
	<b>Total</b>	<b>4,457</b>	<b>24,952</b>	<b>4,012</b>	<b>2,900</b>

An analysis of the non-performing profile of the loan book indicates significant volume in the '120+ Days Delinquent' classifications. NAMA is addressing this issue in part by insisting, as part of any ongoing consensual support provided by NAMA to the debtor, that all income produced by the underlying secured assets is paid to NAMA. The extent to which debtors do not comply with this, and other key milestones set by NAMA, will determine whether these delinquent loans will be enforced. In some cases, the delinquent loans may be re-financed on new terms set by NAMA. The sole driver of NAMA's decisions in this regard is the maximisation of the return to the taxpayer. The degree of default measurement is based on the default of the original PAR debt acquired by NAMA from the participating institutions. NAMA value is provided for information purposes and is not measured for degree of default under the same terms as the PAR debt.



Definition of loan payment status

Code/ID	Culture/Value	Description	Comment
0	Current Cash	Performing	Accounts not in arrears due to cash receipts or where the arrears are outstanding less than 30 days. It includes matured loans that are still producing cash in accordance with their contractual terms
9	Current Non Cash	Non Performing	Accounts not in arrears because arrears are capitalised or account has a zero interest rate applying
1	30-59 Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 30 and 59 days outstanding
2	60-89 Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 60 and 89 days outstanding
3	90+ Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 90 and 119 days outstanding
4	120+ Days Delinquent	Non Performing	Accounts in arrears where the amounts due are 120 days or more outstanding
7 & 8	Enforced	Non Performing	Accounts subject to enforcement

**4 (iv) SECTION 55 (6) (C) - NUMBER OF LOANS BEING FORECLOSED OR OTHERWISE ENFORCED**

Number of loans foreclosed in the quarter to 30 September 2017

Classification	Number	Loan Nominal €m	NAMA Value €m
Enforced	21	295	73

Note: Section 55 6 (B) on page 43 contains a category of default called 'Enforced' where 1,247 loans have been classified. This includes enforcements that were instigated by the Participating Institutions prior to transfer of the loans to NAMA. This section deals with the number of loans being enforced by NAMA only.

**4 (v) SECTION 55 (6) (D) - NUMBER OF CASES WHERE LIQUIDATORS AND RECEIVERS HAVE BEEN APPOINTED**

Number of cases where receivers and liquidators have been appointed in the quarter to 30 September 2017

Classification	Number	Loan Nominal €m	NAMA Value €m
Liquidators	0	0	0
Receivers	21	295	73
<b>Total</b>	<b>21</b>	<b>295</b>	<b>73</b>

**4 (vi) SECTION 55 (6) (E) - 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)

Proceeding	Title	Parties to the proceeding	Relief sought by NAMA or the NAMA group entity
(i)	High Court 2017/1645S	National Asset Loan Management DAC v Caroline Murphy	Judgment in the sum of €2.2m plus interest
(ii)	High Court 2017/7653P	National Asset Loan Management DAC v Caroline Murphy	Reversal of asset transfers

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

Schedule of finances raised by NAMA and each NAMA group entity in the quarter to 30 September 2017

Description	Date	€m
N/A		

**4 (viii) SECTION 55 (6) (G) - SUMS RECOVERED FROM PROPERTY SALES IN THE QUARTER**

Amount of money recovered by sale of property in the quarter to 30 September 2017

Description	Date	€m
NAPM	01/08/2017	7.8

**4 (ix) 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 in the quarter to 30 September 2017

Description	Date	€000
National Asset Loan M	1 July - 30 Sept 2017	1,582

No other income was earned in any other NAMA Group entity in the quarter.



**5 - National Asset Management Agency Investment D.A.C. Company only accounts**

**For the quarter ended 30 September 2017**



**NAMAI D.A.C. (company only)**  
**Income Statement**  
**For the quarter from 1 July 2017 to 30 September 2017**

		<b>For the quarter from 1 July 2017 to 30 Sept 2017 €000</b>	<b>For the period from 1 Jan 2017 to 30 Sept 2017 €000</b>
	<b>Note</b>		
Interest income	3	64	190
<b>Net interest income</b>		<b>64</b>	<b>190</b>
<b>Operating profit before tax</b>		<b>64</b>	<b>190</b>
Tax charge	4	(8)	(24)
<b>Profit for the period</b>		<b>56</b>	<b>166</b>

The accompanying notes 1 to 11 form an integral part of these accounts.

**NAMAI D.A.C. (company only)**  
**Statement of Financial Position**  
**As at 30 September 2017**

	Note	30 Sept 2017 €000	30 June 2017 €000
<b>Assets</b>			
Cash and Cash Equivalents	6	251	251
Investment in subsidiaries	5	-	-
Other Assets	7	105,199	105,135
<b>Total assets</b>		<b>105,450</b>	<b>105,386</b>
<b>Liabilities</b>			
Amounts due to group entity	8	913	913
Current tax liability	9	24	16
<b>Total liabilities</b>		<b>937</b>	<b>929</b>
<b>Equity</b>			
Share capital	10	10,000	10,000
Share premium	10	90,000	90,000
Retained earnings	11	4,513	4,457
<b>Total equity</b>		<b>104,513</b>	<b>104,457</b>
<b>Total equity and liabilities</b>		<b>105,450</b>	<b>105,386</b>

The accompanying notes 1 to 11 form an integral part of these accounts.

## **1 General Information**

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

National Asset Management Agency Investment D.A.C. (NAMA I) was established on 27 January 2010 to facilitate the participation of private investors in NAMA. It is the ultimate parent company for the NAMA group entities. On 29 March 2010, NAMA and private investors subscribed a total of €100 million for A and B shares in the Company.

The Agency owns 49% of the Company and the remaining 51% of the shares in the Company are held by private investors.

The 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.

The address of the registered office of the Company is Treasury Building, Grand Canal Street, Dublin 2. The Company is incorporated and domiciled in the Republic of Ireland.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

The Company's accounts for the quarter to 30 September 2017 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of Section 55 of the Act.

The accounts are for the Company only, and they have been prepared on a non-consolidated basis.

### **2.2 Basis of measurement**

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

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

### **2.3 Inter-group receivables**

Loans and receivables are initially recognised at fair value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently held at amortised cost.

### **2.4 Inter-group payables**

The Company carries all inter-group payables at amortised cost.

### **2.5 De-recognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

### **2.6 Taxation**

#### *Current income tax*

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

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

## 2.7 Share capital

### Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved and paid by the Company's Board.

<b>3 Interest income</b>	<b>For the quarter from</b>	<b>For the period from 1</b>
	<b>1 July 2017 to 30</b>	<b>Jan 2017 to 30 Sept</b>
	<b>Sept 2017</b>	<b>2017</b>
	<b>€000</b>	<b>€000</b>
Interest receivable on inter-group loan	64	190

On 1 April 2010, the Company provided a loan of €99.9m to National Asset Management (NAM). The interest rate on the loan was reset to 0.25% on 1 July 2012.

<b>4 Tax charge</b>	<b>For the quarter from</b>	<b>For the period from 1</b>
	<b>1 July 2017 to 30</b>	<b>Jan 2017 to 30 Sept</b>
	<b>Sept 2017</b>	<b>2017</b>
	<b>€000</b>	<b>€000</b>
Profit before tax	64	190
Tax charge for the period	<b>(8)</b>	<b>(24)</b>

## 5 Investment in subsidiaries

NAMAI holds 100 €1.00 ordinary shares in NAM representing 100% of the issued share capital.

## 6 Cash and cash equivalents

	<b>30 Sept 2017</b>	<b>30 June 2017</b>
	<b>€000</b>	<b>€000</b>
Balance at bank	251	251

## 7 Other Assets

	<b>30 Sept 2017</b>	<b>30 June 2017</b>
	<b>€000</b>	<b>€000</b>
Loan receivable from NAM	99,900	99,900
Accrued interest on receivable from NAM	5,299	5,235
<b>Total other assets</b>	<b>105,199</b>	<b>105,135</b>

NAMAI issued a loan of €99.9m to NAM at an interest rate to be reviewed quarterly. This rate was set at 0.25% from 1 July 2012.

## 8 Amounts due to group entity

	<b>30 Sept 2017</b>	<b>30 June 2017</b>
	<b>€000</b>	<b>€000</b>
Amounts due to NALM	913	913

## 9 Tax payable

	<b>30 Sept 2017</b>	<b>30 June 2017</b>
	<b>€000</b>	<b>€000</b>
Tax payable	24	16

## 10 Share capital and share premium

	Number	€000
At 30 September 2017		
<u>Authorised:</u>		
A Ordinary shares of €0.10 each	49,000,000	4,900
B Ordinary shares of €0.10 each	51,000,000	5,100
<hr/>		
<u>Issued and fully paid during the period:</u>		
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
<hr/>		
	<b>100,000,000</b>	<b>100,000</b>

A Ordinary shares are held by NAMA. B Ordinary shares are held by private investors.

## 11 Retained earnings

	For the quarter from 1 July 2017 to 30 Sept 2017 €000	For the year from 1 Jan 2017 to 30 Sept 2017 €000
Retained earnings at beginning of period	4,457	4,894
Profit for the period	56	166
Dividend paid	-	(547)
<b>Retained earnings at end of period</b>	<b>4,513</b>	<b>4,513</b>

On 16 March 2017, the Board of NAMAI D.A.C. declared and approved a dividend payment of €0.01075 per share, amounting to €0.55m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2017. The dividend was paid to the holders of B ordinary shares of NAMAI D.A.C. only, the private investors, who have ownership of 51% in the Company. No dividends were paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.