

## Section 53 Annual Statement 2024

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Section 53 of the National Asset Management Agency Act 2009 (“the Act”) requires NAMA to prepare and submit an Annual Statement to the Minister for Finance three months before the commencement of the financial year to which it relates. The Statement must specify:

- a) the proposed objectives of each NAMA group entity for the financial year concerned,
- b) the proposed nature and scope of activities to be undertaken,
- c) the proposed strategies and policies to be implemented, and
- d) the proposed application of resources.

The Act confers various powers and functions on NAMA to achieve its objectives. The Board has various statutory functions including ensuring that NAMA functions are performed effectively and efficiently, setting strategic objectives and targets, and ensuring that appropriate systems and procedures are in place to achieve these objectives and targets.

The following statement specifies the objectives, activities, strategies and resource allocation proposed by the Agency for 2024.

For the purpose of this Statement, NAMA and its group entities are considered as one.

## A. Objectives

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Section 10 (1) of the Act sets out NAMA's purposes, summarised as:

- a) acquiring eligible assets from participating institutions;
- b) dealing expeditiously with acquired assets; and
- c) protecting and enhancing the value of assets, in the interests of the State.

NAMA's statutory commercial mandate, based on Section 10 (2) of the Act, is to obtain the best achievable financial return for the State, having regard to the cost of acquiring and dealing with bank assets and its own cost of capital and other costs, and any other factor which NAMA considers relevant to the achievement of its purposes. In the context of this overarching statutory commercial mandate, the NAMA Board has adopted four key objectives, which are set out below. A fifth objective relating to the Dublin Docklands SDZ was successfully completed during 2023 (see page 8 for information on this objective):

- 1. The Board's primary commercial objective is to generate the largest surplus that can feasibly be achieved from the management and disposal of its remaining portfolio, subject to prevailing market conditions, by December 2025.**

*Progress:* NAMA completed the repayment of all its debt and equity obligations by May 2020<sup>1</sup>. It is currently projected that NAMA's total contribution to the Exchequer will be €4.9 billion, comprised of the forecast lifetime surplus of €4.5 billion and €0.4 billion of corporation tax payments. By end-August 2023, €3.5 billion from NAMA's surplus had been transferred to the State. €350 million is scheduled for transfer by end-2023 and the remaining €650 million will be transferred in subsequent years subject to market conditions.

- 2. NAMA will focus on the intensive asset management of its remaining residential land portfolio, to both prepare sites for future development and**

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<sup>1</sup> NAMA has redeemed all €31.8 billion of debt liabilities issued to acquire loans; €30.2 billion of this figure comprised Senior Debt which was redeemed in full by October 2017. By March 2020, NAMA had repaid €1.6 billion of subordinated debt, and, in May 2020, NAMA purchased, for €56m, the 51% private investor shareholding in NAMAI, thus becoming 100% owned by the Minister for Finance.

**to optimise realisable value in accordance with our commercial mandate. NAMA also aims to work with its remaining debtors/receivers to facilitate delivery of the maximum number of new homes possible from approved funding, subject to commercial viability.**

*Progress:* From 2014 to end-September 2023, NAMA has funded or facilitated the delivery of 32,691 new homes. Of these, **14,090 homes were funded** by NAMA. **18,601 homes were delivered** on sites for which NAMA had funded planning permission, enabling works, legal costs or holding costs before they were disposed of. So far in 2023, 294 residential units have been delivered and a further 445 units are under construction. 155 residential units have funding approved. NAMA continues to maximise the number of sites that are shovel-ready for future development however achievement of appropriate planning remains a significant challenge. More detailed progress on this initiative is set out on pages 5-6.

**3. NAMA aims to conclude its work no later than December 2025 through a phased and orderly wind down, having regard to the primacy of its Section 10 commercial mandate. NAMA aims to continue to meet all future commitments out of its own resources.**

*Progress:* NAMA is implementing the actions set out in its plan for the wind-down of the Agency, which was submitted to the Minister for Finance in November 2021. A dedicated Transformation unit is overseeing the wind-down, which is on target to be achieved by end-2025. Detail on wind-down progress and related projects is set out on pages 7-8.

**4. Subject to the primacy of its Section 10 commercial mandate but often complementing it, and within the context of a much-reduced secured portfolio, NAMA will seek to make a positive social and economic contribution across its remaining activities.**

*Progress:* NAMA continues to work closely with Government departments, state agencies and local authorities to identify properties that may have a community, or social benefit as detailed on pages 6-7. This highlights, for example, that NAMA has delivered 2,862 homes for social housing to date and has facilitated over 75 property transactions for a variety of purposes including: education, public parks, community centres, healthcare, public

transport and infrastructure. NAMA is committed to contributing to the achievement of sustainability goals and climate resilience through its remaining business and operational activities and seeks to ensure that these activities are conducted in the manner that limits their environmental impact.

## B. Activities

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During 2024 and 2025, NAMA will continue its asset management and deleveraging activities, consistent with its strategic objectives, to ensure its remaining assets are fully monetised by end-2025. Where commercially viable, residential development activity will continue to deliver units for which funding is approved and also to maximise the number of sites that are shovel-ready for future development. In the context of NAMA's operational wind down, the focus will be on reducing the scale of NAMA's operations consistent with the resolution of related commercial activities.

The successful completion of NAMA's activities over the coming years will ensure that the remaining €1 billion of the projected €4.5 billion surplus is realised and delivered to the Exchequer, subject to prevailing market conditions. However, the uncertain economic environment may continue to delay debtor exits, and defer asset/loan sale transactions, all of which may impact the pace at which NAMA's portfolio reduces.

### **1. Engagement with debtors and receivers**

NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans by working closely with debtors and receivers to enhance the value, and ultimately the disposal proceeds, of the underlying assets and, where appropriate, of the loans. The loans of some 53 debtors remain under the active management of NAMA. Subject to market conditions, the residual portfolio is expected to reduce further during 2024 with much of the remaining deleveraging expected to be completed by the end of the year. This deleveraging activity excludes loans which are the subject of litigation or loans secured by assets with significant value uplift potential. However, potential market disruption may delay debtor exits, and defer asset/loan sale transactions, all of which may impact the pace at which NAMA's portfolio reduces.

## **2. Residential delivery activities**

Funding the enhancement and development of commercially viable residential sites, as opposed to their sale as undeveloped land, represents the option which best fulfils NAMA's Section 10 obligations while helping address residential supply shortages in Ireland.

NAMA has funded or facilitated the delivery of **32,691 new homes** since 2014. Of these, **14,090 homes** have been **delivered directly** by NAMA, either through the provision of funding directly to debtors and receivers or facilitating development via licence agreement or joint venture. A further **18,601 homes** have been **delivered indirectly** on sites for which NAMA had funded planning permission, legal costs, holding costs or enabling works but which were subsequently sold, or where the associated loans were subsequently sold or refinanced. NAMA's residential delivery programme aims to strike an appropriate balance between direct and indirect delivery, de-risking a portion of the programme and delivering significant numbers of new units without putting taxpayer capital at risk.

Currently, **445 homes** are under construction and **155 homes** have conditional funding committed. However, as commercial viability continues to be a challenge, it is possible that funding may not be advanced for all these units.

NAMA is also asset managing key residential development sites in preparation for future sale and development. NAMA's secured landbank is estimated to have the potential to deliver circa 14,710 new homes in the medium to long term as set out in **Table 1** below. Most of these homes cannot be delivered within NAMA's remaining lifetime, however, NAMA's objective is to ready as many of these sites as possible for future development through the funding of appropriate planning applications and pre-planning feasibility assessments. Most of these units can only be delivered when the necessary supporting infrastructure (roads, water, utilities, waste, etc.) is put in place by other parties and appropriate zoning and planning permission obtained.

**TABLE 1: Residential development potential of NAMA’s remaining portfolio**

<b>Planning Permission Granted</b>	<b>Planning Applications Lodged</b>	<b>Planning Applications Being Prepared</b>	<b>Unzoned Land &amp; Longer Term Sites</b>
<b>2,810 units</b>	<b>3,960 units</b>	<b>980 units</b>	<b>6,760 units</b>
Units with planning permission granted and will be sold or refinanced by debtors/receivers	Units with planning applications lodged and under consideration by planning authorities	Unit potential from planning applications currently being prepared	Longer term (post 2025) potential of land subject to Zoning, Local Area Plans or Urban Development Zones

### **3. Social contribution activities**

A major objective of the Board is to conduct the Agency’s commercial activities in a way that contributes to and complements the social and economic development of the State. NAMA has worked closely with Government departments, state agencies and local authorities to identify properties that may have a community, economic or social benefit, most notably, the provision of social housing from housing stock within NAMA’s control.

Over its lifetime, NAMA has identified over **7,600** residential units as potentially suitable for social housing from its secured portfolio and offered these to local authorities and / or approved housing bodies. Many of these units were not required or deemed unsuitable at the time of offer, or subsequently became unavailable. As at end-June 2023, **2,862** homes for social housing have been delivered or committed by NAMA. This figure is more than NAMA’s original social housing delivery target of 2,000 units and excludes units delivered by way of Part V of the Planning and Development Act on NAMA-secured development sites.

Furthermore, NAMA facilitates the sale of properties for other social and civic purposes. The success of this aspect of NAMA’s work is evident from the number of properties delivered to state bodies across Ireland. To date, NAMA has facilitated over 75 property transactions for a variety of purposes including: education, public parks, community centres, healthcare, public transport and infrastructure.

NAMA engages with its key stakeholders in an open and transparent manner and welcomes opportunities to provide updates on its progress and to facilitate a sharing of knowledge and

expertise for the benefit of the public sector. NAMA will continue to actively engage with Ministers, Departments, State agencies, local authorities and civic bodies to explore ways in it can advance public and social policy objectives.

NAMA has adopted the Government’s Climate Action Plan and seeks to ensure that its business and operational activities are conducted in the context of their impact on the environment. In accordance with planning requirements, commercial and residential development in which NAMA is involved is consistent with the highest standards of sustainable design and development. Residential Developments meet sustainable density standards that conform with the Government’s objective to achieve sustainable compact growth. New homes constructed on NAMA-funded residential developments achieve A3 Energy ratings as a minimum with some meeting Nearly Zero Energy Buildings (nZEB) standards and commercial developments in the Dublin Docklands have all achieved Gold or Platinum LEED certification.

**4. Wind down activity**

NAMA is currently implementing its Strategic Plan for the orderly dissolution of NAMA by end-2025. This plan was approved by the Board and submitted to the Minister for Finance in November 2021. The commercial and operational steps being undertaken to implement the wind-down are outlined in Table 2.

**TABLE 2: Wind-down steps**

<b>Commercial</b>	<b>Operational</b>
<ul style="list-style-type: none"> <li>- Complete deleveraging of loan portfolio</li> <li>- Provide committed funding to debtors and receivers to complete commercially viable residential developments.</li> <li>- Prepare and submit planning applications for residential sites which will be sold and privately developed.</li> <li>- Asset manage residential sites with longer-term development potential.</li> <li>- Resolve NAMA’s remaining equity interests in the Dublin Docklands SDZ.</li> <li>- Transfer NARPS to the Land Development Agency (LDA).</li> </ul>	<ul style="list-style-type: none"> <li>- Transformation unit established to implement and oversee the phased and orderly wind down of the agency.</li> <li>- Consolidate and scale-down business units within NAMA.</li> <li>- Progress data and records management projects in line with approved policy.</li> <li>- Dissolve group entities post disposal of related assets.</li> </ul>

In line with the experience of workout vehicles in Ireland and other jurisdictions, the resolution of the NAMA entity may take several years after completion of its deleveraging activity, to deal with any unresolved litigation and remaining assets including those loans secured by assets which are considered to have significant potential value uplift.

## **5. Completed Objectives**

During 2023, NAMA brought its asset management activities in the Dublin Docklands and Poolbeg West Strategic Development Zones (SDZs) to successful conclusion.

In 2014, NAMA held an interest in 75% of the 22 hectares of developable land in the Dublin Docklands Strategic Development Zone (SDZ). Since then, the Agency has been instrumental in driving and facilitating the development of the Docklands area. The SDZ model is an exemplar of a plan led approach, and the delivery methodology developed by NAMA has been key to its implementation. 99% of NAMA's original interests in the Docklands SDZ have now been completed or sold. The remaining 1% relates to a leasehold interest in a site which is planned for sale with Waterways Ireland. Ultimately, the former NAMA sites will provide over 4.2 million sq. ft. of commercial space and some 2,183 residential units, accommodating 20,000 office workers and homes for 5,000 people in Dublin City.

In June 2023, in line with its s.10 commercial mandate, NAMA sold its 20% interest in a development site located within the Poolbeg West SDZ. The site has the potential to provide up to 3,800 residential units (including 10% Part V and 15% social and affordable homes) and 1 million sq. ft. of retail and commercial space, as well as community, public and educational facilities.

## **C. Strategies**

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NAMA's principal strategies involve intensive asset management of its asset and loan portfolios and working closely with debtors/receivers and other investment partners to maximise cashflow. In line with its strategic objectives, NAMA advances development funding, on a commercial basis, to its debtors and receivers in cases where it can be shown that such funding will enhance or protect the value of the assets securing NAMA's loan portfolio. NAMA expects committed development funding for residential projects to continue to be drawn down throughout 2024.



From inception to end-August 2023, NAMA had generated cumulative cash of **€47.6 billion** from its loan portfolio. This comprised **€41 billion** in asset disposal proceeds and loan redemptions and **€6.6 billion** from other income, principally rental income from property assets controlled by debtors and receivers.

NAMA has strategically benefited from the strong performances of the markets in which it operates over the past decade. Successful loan and asset disposals enabled NAMA to significantly reduce its loan portfolio while generating substantial levels of cash. NAMA’s portfolio (loans and property assets), which stood at €20 billion at the end of 2013, is projected to be of the order of €0.8 billion by end-2023.

## D. Resource Allocation

**Table 3** below presents the main components of NAMA’s projected 2024 Budget:

**TABLE 3: Projected 2024 Budget**

	<b>Baseline Budget (2021) (€m)</b>	<b>2024 Draft Budget (€m)</b>
<b>NAMA Direct Costs</b>		
Primary Servicer/Master Servicer fees	8	4
Reimbursement to NTMA as service provider	34	25
Legal fees	4	1
Asset Recovery/Asset Management	4	2
Finance, communication, technology and other administration costs	16	10
<b>Total - Direct Operating Costs</b>	<b>66</b>	<b>42</b>
Forecast reduction in baseline operating costs in 2024		<b>-36%</b>

The principal element of NAMA’s projected 2024 Budget is the reimbursement to the NTMA for the cost – a projected €25m – of providing staff and other services, including HR, IT, office and business services. As NAMA progresses its wind-down, operating costs are reducing annually as progress is made in the wind down of the Agency. However, as with any organisation, there is an element of the cost base that does not reduce in line with the reduction

in the size of the remaining portfolio or with how advanced the wind-down is. Accordingly, there are some costs that cannot conclude until the dissolution of the Agency.

The Budget provides for a staff headcount of 93 at the start of 2024 noting that staff numbers will reduce via scheduled redundancies over the course of 2024. However, the retention of key staff is challenging as NAMA nears dissolution and staff seek more secure employment elsewhere. It is crucial that NAMA retains sufficient staff with the requisite skillset to ensure the Agency can successfully achieve its strategic objectives and deliver the projected surplus.

Excluding the Executive team, the proposed headcount in January 2024 will be distributed across the four NAMA divisions as follows:

**TABLE 4: Projected staffing of NAMA by business divisions as at January 2024**

<b>Division</b>	<b>Responsibilities</b>
<b>Chief Commercial Officer</b> (42 staff)	Responsible for the intensive management and phased deleveraging of assets securing NAMA’s loans. To work closely with debtors, receivers, and joint venture partners to identify, develop and manage secured assets and investments where value can be added and future cashflow enhanced. In this context, to facilitate new residential and commercial development where commercially viable.
<b>Transformation, Strategy &amp; Communications</b> (4 staff)	Responsible for the ongoing evaluation and development of NAMA’s strategy and to oversee the implementation of NAMA’s wind down strategy as the Agency progresses towards dissolution.  To coordinate all communications, public affairs and Freedom of Information activity including NAMA’s interaction with the media and engagement with Oireachtas members and committees as well as the preparation of NAMA publications.
<b>Legal</b> (14 staff)	Responsible for the provision of legal advice to the Board, CEO, and business divisions on the wide spectrum of legal issues affecting the Agency and its operations including NAMA’s regulatory and compliance obligations enforcement, procurement and the management of litigation.
<b>CFO</b> (27 staff)	Responsible for managing the organisation’s financial and operational requirements by the provision of services across a wide range of business functions with operational and strategic responsibilities including Finance, Operations, Systems, Tax, Audit and Risk.