State aid: Commission finds Irish National Asset Management Agency did not breach EU rules

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Following a complaint, the European Commission has assessed whether the Irish National Asset Management Agency (NAMA) has benefited from illegal State aid and whether it granted undue advantages to certain property developers. The Commission has concluded that NAMA did not breach EU State aid rules.

Commissioner Margrethe Vestager, in charge of competition policy, said: "We have carefully looked at allegations that NAMA's activities would distort competition in the Irish property development market. Our assessment shows that NAMA’s activities did not breach EU rules - it has acted as a private operator would have done, and in line with its objective to obtain the best possible financial return for the State and Irish taxpayers."

In December 2015, the Commission received a complaint from five property developers. They alleged that NAMA distorts competition in the Irish property development market by granting loans at very favourable conditions to property developers, which are existing creditors of NAMA. Furthermore, the complainants alleged that NAMA itself benefitted from various illegal State aid measures in Ireland, including a State guarantee on its funding.

NAMA was created by the Irish government in 2009 in the context of the financial crisis to restore stability to the Irish banking system. For this purpose, NAMA acquired large portfolios of non-performing commercial loans secured by land and development property from five Irish credit institutions. In its decision of February 2010, the Commission approved NAMA's creation and support provided to the five credit institutions as in line with EU State aid rules.

NAMA's stated objective is to manage the assets acquired with a view to maximising their value and returning any surplus to Irish taxpayers. In practice, to achieve this objective NAMA has either sold property sites directly, or extended loans to its creditors (i.e. property developers), who would develop the site and then sell it on the market. NAMA has sold sites to independent developers, which will allow them to build 50,000 houses or apartments on those sites (without further involvement from NAMA). NAMA itself will only finance the development of up to 20,000 houses or apartments on other sites by the end of 2020.

As regards the financing NAMA has provided to certain property developers and any State aid NAMA itself received, the Commission's assessment concluded:

- **NAMA extends new loans to property developers where it is commercially viable to do so.** This means that NAMA has acted as a private market operator would have done. More specifically, NAMA has demonstrated that it carries out a robust analysis in each case to decide whether it is more profitable to sell a site directly, or to extend a new loan to develop and then sell the property on the market. Once the houses or apartments funded by NAMA have been developed they are sold at market prices set by independent property experts. Therefore, the Commission concluded that property developers funded by NAMA are not receiving any undue advantage.

- **The State support to NAMA had already been approved under the Commission’s 2010 decision.** This concerns in particular the State guarantee on NAMA's funding, NAMA's special powers and tax exemptions that were the subject of the complaint. The Commission concluded in this regard that NAMA has acted in full accordance with the 2010 decision and with all commitments made by the Irish authorities thereunder. Other measures that were the subject of the complaint, such as NAMA's alleged information advantage, do not amount to State aid.

- Finally, the Commission found that extending financing to certain property development projects where it is commercially viable to do so is **in line with NAMA’s objective to obtain the best possible financial return for the State.** Ireland is also expected to wind down NAMA within the timetable originally foreseen, i.e. in 2020/2021. On this basis, the Commission concluded that NAMA’s actions are fully consistent with what was envisaged in the 2010 NAMA decision and with the Commission’s case practice and guidance.

The Commission therefore concluded that NAMA did not breach EU State aid rules.
Background

NAMA was created by means of the NAMA Act of 22 November 2009. It acquired large portfolios of commercial (real estate) loans secured by land and development property from Anglo Irish Bank, Allied Irish Bank, Bank of Ireland, Irish Nationwide Building Society and Educational Building Society. The purchase of these assets was financed up to 95% by State-guaranteed bonds.

The Commission approved the establishment of NAMA in its decision of 26 February 2010 and concluded that the aid that NAMA provided to the five credit institutions concerned was in line with EU State aid rules. The Commission relied on a number of commitments from the Irish authorities to ensure that NAMA's operations do not lead to distortions of competition through the use of certain powers, rights and exemptions granted in the NAMA Act.

In October 2017, NAMA fully repaid the last tranche of State-guaranteed bonds it has issued (worth in total €30.2 billion), thereby achieving full repayment of these bonds three years earlier than initially planned. In addition, NAMA currently expects to generate a surplus of €3 billion by the time it completes its work, subject to prevailing market conditions. This surplus will fully accrue to the State. NAMA is expected to be wound down in 2020/2021.

More information will be made available under the case number SA.43791 in the State Aid Register on the Commission's competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

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