

Assembly Section

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

Our Ref CFP/463/11-15

22 July 2015

Dear Shane,

Thank you for your correspondence dated 17th July 2015 confirming that the Committee will meet on 23rd July 2015, and requesting copies of all departmental and Ministerial papers relating to NAMA, including the sale of the NAMA property portfolio in Northern Ireland. I can confirm that the DFP Permanent Secretary, David Sterling, will attend the Committee session, accompanied by Alan Ramsey (Principal Economist, Strategic Policy Division, DFP) to provide Members with information on the role and actions of DFP in relation to the operations of NAMA in Northern Ireland.

DFP's Role

I would also like to take this opportunity to provide a brief overview of DFP's role in this regard. As you know, banking and the regulation of financial services are reserved matters, where legislative authority rests with the UK Government. However given the strategic importance of access to finance, as recognised in the Executive's Economic Strategy, the Department has sought to engage with the broad range financial institutions that operate in Northern Ireland to ensure that the needs of the local economy and businesses in particular, are addressed.

Given the scale of the Northern Ireland-based loans transferred to NAMA when it was established in 2009, Finance Ministers Wilson and Hamilton both met regularly with their counterparts in the Irish Government and senior NAMA representatives. Those engagements were both appropriate and necessary. They ensured the interests of Northern Ireland businesses and the wider economy were understood and protected. They were used to stress

how important it was that the Northern Ireland loans and associated assets were appropriately managed and to receive updates in that regard.

As you know, NAMA established a Northern Ireland Advisory Committee (NIAC) to advise the NAMA Board on its strategy for the management of Northern Ireland assets. Following a meeting with the then Irish Finance Minister, the late Brian Lenihan in November 2009, Sammy Wilson MP MLA wrote to Minister Lenihan taking up his offer to put forward the names of a number of individuals who might be considered for appointment to the NAMA Northern Ireland Advisory Committee. Ultimately however, the Advisory Committee was appointed by, and reported to the NAMA Board, not DFP.

As with NAMA, the Department now liaises with representatives of Cerberus on a regular basis to discuss the firm's activities in Northern Ireland and its approach in managing its loan portfolio locally. Here too the focus is to ensure the interests of Northern Ireland businesses and the economy are understood and protected.

Request for Papers

In relation to the Committee's request for copies of all departmental and Ministerial papers relating to NAMA, including the sale of the NAMA property loan portfolio in Northern Ireland, officials have initiated a comprehensive file review. The review has identified papers falling into four broad categories as follows:

1. Briefing papers;
2. Correspondence papers;
3. Correspondence papers relating to individual borrowers;
4. Miscellaneous papers

Given the limited time available and the need to ensure that the Department's obligations under the Data Protection Act are fulfilled and commercially sensitive material is protected as appropriate, officials have not yet fully completed the file review exercise – however significant progress has been made. In relation to categories 1 and 2, a significant amount of material has been identified, reviewed and is attached separately.

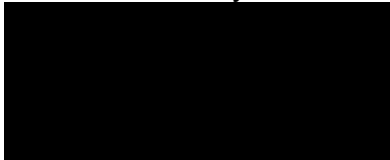
As you will appreciate, the release of material relating to individual borrowers (category 3) raises in particular issues around data protection. In addition the Department must be careful about the disclosure of any material which is commercially sensitive. It intends to seek legal advice on these matters before such decisions are taken. More broadly, all should be mindful that any discussion of the relevant issues is taking place in a context in which the

National Crime Agency is undertaking investigations. An index of papers provided for the Committee's consideration is set out at **Annex A**.

As noted above, David Sterling and Alan Ramsey will of course be happy to answer questions raised by the Committee where it is possible to do so. In this context it would be helpful if you would provide a copy of the Terms of Reference which the Committee has agreed for its enquiry and also a list of the question topics which will be raised. I would be grateful for this before close of play of Wednesday 22 July.

Lastly, can you ensure that these papers are treated in confidence by Committee members to avoid any risk that other investigations may be prejudiced or compromised.

Yours sincerely



GEARÓID CASSIDY
Departmental Assembly Liaison Officer

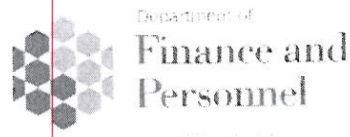
Annex A

Index of information for Committee's consideration

Doc No.	Date of meeting / correspondence	Description
1	07 October 2013	Document relates to official advice provided to Minister Hamilton with regards to a meeting with the NAMA Chairman and Colleagues. Correspondence between NAMA Senior Divisional Manager & Minister Private Secretary regarding this meeting is also provided. Document relates to file note from a meeting held with NAMA on 7 October.
2	27 September 2013	Document relates to official advice provided to Minister Hamilton with regards to a meeting with the First Minister and Minister Noonan.
3	4 September 2013	Document relates to official advice provided to Minister Hamilton with regards to a meeting with Minister Noonan. Topic 5 relevant. File note of the meeting also provided.
4	24 June 2013	Correspondence from Minister Wilson to Minister Noonan with Annex from Brown Rudnick attached. Reply from Minister Noonan to Minister Wilson.
5	13 June 2013	Document relates to official advice provided to Minister Wilson with regards to a meeting with Minister Noonan. Topics 2 and 3 are relevant (NAMA-related).
6	05 June 2013	Correspondence to Frank Daly from Minister Wilson.
7	22 April 2013	Document relates to official advice provided to Minister Wilson with regards to a meeting with representatives of NAMA.
8	10 December 2012	Document relates to official advice provided to Minister Wilson with regards to a meeting with NAMA Chairman Frank Daly. File note of the meeting also provided.
9	26 June 2012	Document relates to a file note for a meeting Minister Wilson had with member of NAMA Advisory Group.
10	18 June 2012	Document relates to official advice provided to Minister Wilson with regards to a meeting with NAMA Chairman Frank Daly and other NAMA representatives.
11	20 March 2012	Document relates to official advice provided to Minister Wilson with regards to

		correspondence he received from Minister Noonan. Document also includes response to Minister Noonan.
12	16 December 2011	Document relates to a file note for a meeting Minister Wilson had with NAMA.
13	27 June 2011	Document relates to official advice provided to Minister Wilson with regards to a meeting with NAMA representatives.
14	07 March 2011	Document relates to official advice provided to Minister Wilson with regards to a meeting with FM/DFM and NAMA representatives.
15	13 January 2011	Document relates to official advice provided to Minister Wilson with regards to a Ministerial Bi-lateral meeting with Minister Lenihan. Item 2 only relates to NAMA.
16	23 August 2010	Document relates to official advice provided to Minister Wilson with regards to a lunch meeting he hosted with members of NAMA NI Advisory Board.
17	10 March 2010	Document relates to official advice to Bruce Robinson (then Head of Northern Ireland Civil Service) regarding the business breakfast he will be attending to discuss NAMA.
18	18 November 2009	Document relates to correspondence from Minister Lenihan and Minister Wilson.
19	08 September 2009	Document relates to official advice provided to Minister Wilson with regards to a Bi-Lateral meeting with Minister Lenihan to discuss NAMA.
	<p>Notes</p> <ol style="list-style-type: none"> 1. Information has been reviewed and redactions applied, in order to ensure that the Department's obligations under the Data Protection Act are fulfilled and commercially sensitive material is protected. The Department intends to seek legal advice on these matters and in relation to the potential release of further information, particularly as it relates to individual borrowers. 2. In line with the Committee's request, information which does not relate specifically to NAMA, including the sale of the Northern Ireland loan portfolio, has been removed / redacted. 	

From the Office of the
Minister of Finance & Personnel



Mr Jonathan Milligan
Senior Divisional Manager
National Asset Management Agency
Treasury Building
Grand Canal Street
Dublin 2, Ireland

E: jmilligan@nama.ie

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Telephone: 028 90163371

Email: private.office@dfpni.gov.uk

Your reference:
Our reference: INV/261/2013

6 August 2013

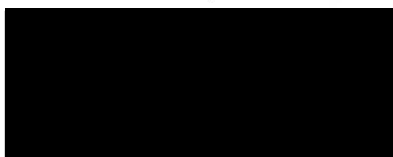
Dear Mr Milligan

Thank you for your 30 July correspondence on behalf of the NAMA Northern Ireland Advisory Committee regarding a meeting on Monday 7 October. The Minister has read your correspondence and asked me to reply.

The Minister is keen to maintain the strong working relationship between NAMA and the Department and would be very pleased to meet NAMA representatives. His Diary Secretary, Margaret Adams, will be in touch in due course to confirm the arrangements.

The Minister's officials have been in touch with you concerning the possibility of an introductory meeting with your Chair when he is in Dublin in late August or early September. Hopefully this can be confirmed soon.

Yours sincerely



SIOBHAN TWEEDIE
PRIVATE SECRETARY TO SIMON HAMILTON MLA

**FROM: TONY SIMPSON
STRATEGIC POLICY DIVISION
Ext. 68006**

DATE: 30 SEPTEMBER 2013

Copy Distribution List Below

TO: SIMON HAMILTON MLA

INV/261/2013: MEETING WITH NAMA CHAIRMAN

**Issue: You are meeting with the NAMA Chairman
Frank Daly and colleagues**

**Timing: The meeting is scheduled for Monday
7 October 2013**

**Need for Referral to the
Executive Not Applicable.**

Presentational Issues: None.

**Freedom of Information: May be withheld in line with FoI exemptions
around commercial confidentiality**

Financial Implications: None.

Legislation Implications: None.

**Statutory Equality
Obligations: None.**

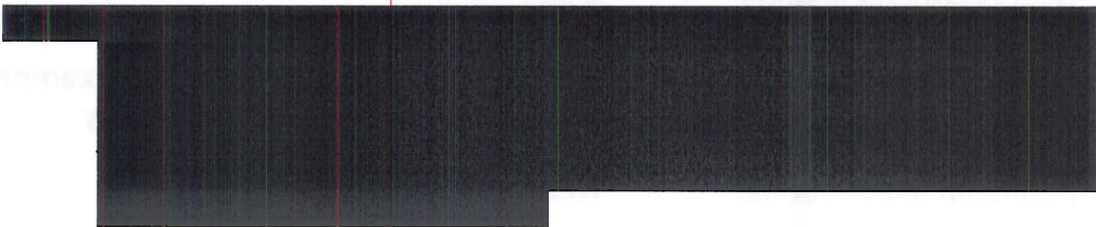
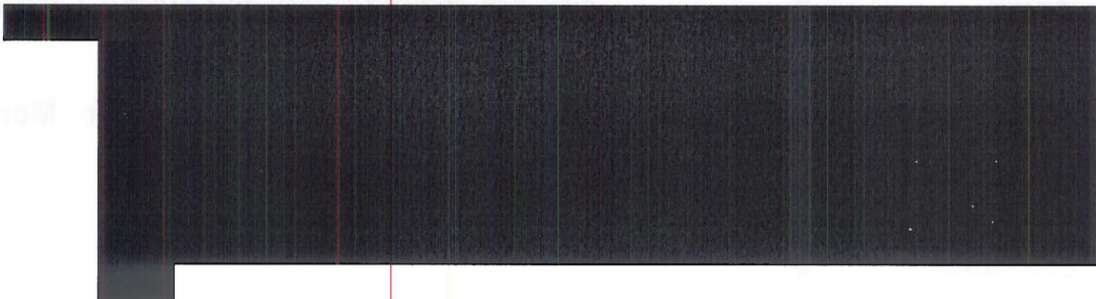
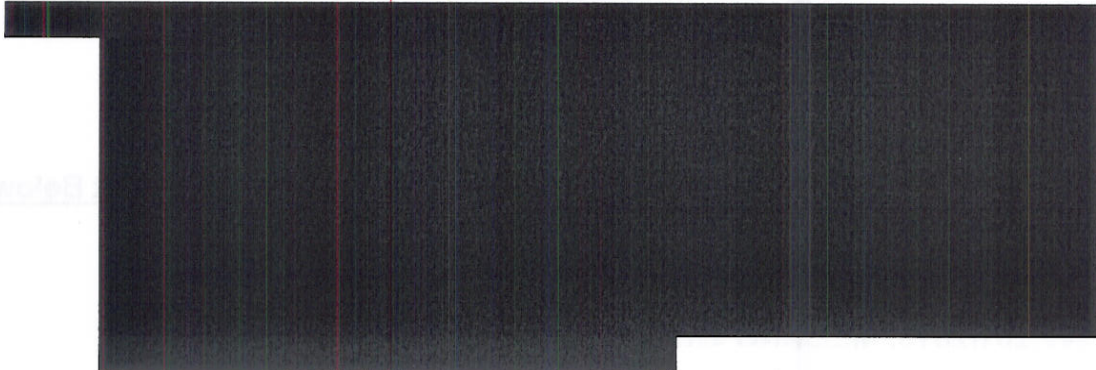
**Recommendations: That you note this background and other
briefing material in advance of the meeting.**

Background

1. You are meeting with the NAMA Chairman, Frank Daly, on Monday 7 October 2013. Mr Daly will be accompanied by Ronnie Hanna, Head of Asset Recovery; Jonathan Milligan, Senior Divisional Manager; and Tom Ward, NAMA Board Secretary.

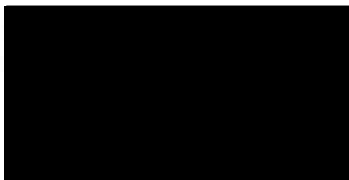
Advice

2. Lines to take and background information on NAMA's activities in Northern Ireland are attached at Annex A.



Recommendation

6. That you note this background brief and attached material in advance of the meeting.



BILL PAULEY

Copy Distribution List

**Stephen Peover
Michael Brennan
Bill Pauley
Michelle Adams**

List of attachments - Annex A: Lines to Take and Background

Lines to take

- I, along with the First Minister, had a very useful meeting with Michael Noonan last week where we discussed how NAMA can help economic recovery in Northern Ireland.
- Clearly it's vital that NAMA assets are managed appropriately. Previous assurances were sought and received that there would be no firesale of Northern Ireland assets and Northern Irish businesses/individuals would be treated reasonably.
- The priority now is sensible management of the assets and that we ensure that they are released at a suitable time without having a negative impact on the market that is beginning to show some first signs of recovery here
- Minister Noonan said "new thinking" was being looked at which could benefit both economies and consideration was being given to how asset sales might be advanced. Can you say any more on this?
- Agency's 2012 annual report indicated that NAMA had approved £86.6m in asset sales in NI from inception to end March 2013. Keen to understand the Agency's plans for realising other NI assets and the impact the nature of those assets has on this. Know 25% relates to land for example.
- Recognise the positive deals that have been done recently releasing land for housing and the investment planned for the Belfast office development. Any more significant disposals or developments in the pipeline?

- Do recognise NAMA's positive role in Northern Ireland in terms of making £123m (to end March 2013) of lending available to Northern Ireland debtors to develop assets.
- The vendor finance NAMA offers to potential commercial property buyers in Northern Ireland is also welcome. This should help stimulate investment and create jobs. Know Invest NI helping to promote this. What has the uptake of this been?
- You previously indicated that the Agency was in discussion with a Northern Ireland mortgage provider and was examining the regulatory feasibility of extending the 80/20 Deferred Payment Initiative to houses controlled by NAMA debtors and receivers/administrators in Northern Ireland. Any update on this?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Background

1. The eventual size of the Northern Ireland portfolio in terms of its acquisition value was €1.3 billion at November 2009, the reference date for valuing NAMA properties.
2. NAMA figures indicate that around 46% of Northern Ireland property securing NAMA loans is located in Belfast, with approximately 80% located in counties Antrim and Down overall. The Northern Ireland portfolio consists of the following asset types:
 - Land 25%
 - Office 18%
 - Residential 10%
 - Hotels 3%

- Retail 17%
- Other investment property 22%
- Development 5%

3. The NAMA Chairman in his statement in the 2012 Annual Report includes the following comments regarding the Agency's approach to the management of assets in NI:

"Our approach to property held by our debtors and receivers has been to encourage a phased and orderly realisation. It would have made no sense, not least in NI, to have saturated the market over recent years with additional unwanted supply, particularly when credit was not available to many of those who were interested in buying and how would have been considered creditworthy in a properly functioning market. We were clear at the outset that there would be no firesales in NI and we have abided by that principle."

"An important element of our strategy is also to fund the development and completion of commercially viable projects to increase their long-term recoverable value. From inception to end-2012, we had approved €1.7 billion in new advances, and recently, in relation to Northern Ireland, announced a £9 million investment in a new 95-unit housing development in Millmount, Dundonald close to Belfast and are reviewing other opportunities"

4. And in terms of the management of NI assets NAMAs Annual Report and Financial Statements for 2012 on 30 May 2013 indicates that:

- NAMA had approved £86.6m in asset sales in NI from inception to end March 2013
- NAMA approved £123m in new advances to NI debtors from inception to end March 2013 to enhance the long-term recoverable value of its debtors' assets.

5. Recent projects supported by NAMA, in addition to the Millmont project referred to above include the announcement on 19 June 2013 that NAMA would provide £15million funding to complete a landmark office development in Belfast which will have the capacity to accommodate around 1,750 people once completed. In April 2012, NAMA struck a deal which will allow 6 well known bars in the Botanic Inns Group to continue trading and thus safeguarding around 300 jobs.

6. It has been reported in the press last week (25/9/13) that NAMA has sold a housing site in Coleraine, County Londonderry, for £600,000. It is suggested that this has been sold to Portadown-based housebuilders Hilmark Homes, with the site having planning permission for 53 houses and the new owners reportedly have filed a fresh application to build an

initial phase of seven homes. NAMA officials have yet to confirm the details of this with DFP.

7. NAMA has also made vendor finance available in NI. This is a mechanism to generate sales transactions by providing finance to potential buyers of commercial property. NAMA has engaged with Invest NI and professional and representative bodies with a view to communicating NAMA vendor finance availability for commercial transactions in Northern Ireland. NAMA have also indicated that it also engages with Invest NI in relation to assets suitable for industrial parks for indigenous and FDI clients in Northern Ireland.
8. In May 2012 NAMA launched the 80/20 Deferred Payment Initiative (DPI). The Initiative aims to provide home buyers with a level of protection against a fall in residential property prices from current levels over the next five years. NAMA previously indicated that the Agency was in discussion with a Northern Ireland mortgage provider and was examining the regulatory feasibility of extending the initiative to houses controlled by its debtors and receivers/administrators in Northern Ireland.

FILE NOTE

DFP MINISTER MEETING NAMA CHAIR TOGETHER WITH MEMBERS OF NAMA NI ADVISORY COMMITTEE

Present:

Simon Hamilton	DFP Minister
Alan Ewart	DFP SPAD
Siobhan Tweedie	DFP
Bill Pauley	DFP

Frank Daly	NAMA Chair
Frank Cushnahan	NAMA NI Advisory Committee
Ronnie Hanna	NAMA NI Advisory Committee
Jonathan Milligan	NAMA
Martin Whelan	NAMA

1. Both the DFP Minister and NAMA Chair indicated they wished to maintain the strong relationships that had existed before.
2. All noted that confidence seemed to be returning to the economy and that were encouraging signs of increased activity in property markets. The NAMA representatives indicated they had received a useful presentation from CBRE that morning.
3. NAMA indicated that:
 - they are on course to meet their debt repayments by 2020.
 - that they had invested some £140 million so far in Northern Ireland to develop assets.
 - that more was available should good projects come forward and that they wanted to encourage this.
 - that Vendor finance was also available (€2billion with no North South split), but that so far nothing had come forward in Northern Ireland.
 - that the 80 : 20 initiative had been introduced to help with the stigma of negative equity situations but was no longer necessary in the South and had not taken off in Northern Ireland.
 - that Housing Associations had been slow to progress some matters;

Action Provide
DSD contact point
(Done)

4. The issues arising from fact that NAMA work had moved a situation where there was now more focus on requiring asset sales and debt recovery were discussed. The potential for political difficulty when this was presented as NI money going to the Southern Exchequer were noted.
5. NAMA noted that had recovered €850 million in the South from assets where debtors had 'tried to put them beyond their reach'.
6. NAMA indicated that they were always sensitive to such situations.
7. NAMA noted that when they recovered money it was not simply passed to the Exchequer but recycled through their various initiatives.
8. Noted that had 61 NI debtors.
9. NAMA indicated that 8 of their debtors accounted for 80% of book. Just one of these can distort overall picture in media.
10. The NAMA Board were to meet on Friday and would discuss overall approach on asset release in terms of both price and transparency.
11. DFP Minister indicated that he was pleased that these issues being considered.
12. NAMA (BR) indicated that the NI Committee had prepared a strategic objectives paper. He suggested that the Department should consider in this against their own priorities and discuss with the NIAC.
13. DFP Minister indicated they any engagement was positive.
14. NAMA discussed the recent loss of key staff because of pay.
15. NAMA indicated they may see a change in strategy in coming months to
 - bundle assets to sell
 - bundle loans to sell

Larger portfolios were of greater interest to US Equity Houses.

DFP
7/10/13



**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 25 SEPTEMBER 2013

Copy Distribution List Below

TO: SIMON HAMILTON MLA

INV/415/2013: MEETING WITH FIRST MINISTER AND MINISTER NOONAN

Issue: You are attending a meeting with the First Minister and Minister Noonan.

Timing: The meeting is scheduled for Friday 27th September 2013 at 11.00am in Stormont Castle.

Need for Referral to the Executive Not Applicable.

Presentational Issues: None.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

Recommendations: That you note this background brief and attached material in advance of the meeting.

Background

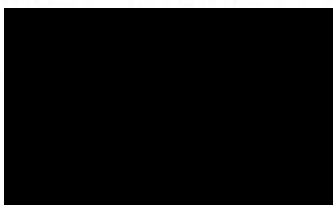
1. You are meeting with the First Minister and Minister Noonan on Friday 27th September 2013 at 11.00am in Stormont Castle. This meeting is taking place in advance of the CBI event at the Titanic Quarter. The First Minister has indicated that he would like to discuss the current position of NAMA at the meeting and has asked for sight of your briefing in this regard.

Advice

2. You last met with Minister Noonan on Wednesday 4th September 2013. At this meeting you discussed a number of topics, including NAMA. Lines to take and background information on NAMA are attached at Annex A.

Recommendation

3. That you note this background brief and attached material in advance of the meeting.



BILL PAULEY

Copy Distribution List

**Stephen Peover
Michael Brennan
Tony Simpson
Michelle Adams
Karen Barklie**

List of attachments

Annex A: Lines to Take and Background

NAMA

Lines to take

- I am meeting the NAMA Chairman and members of the Board and Northern Ireland Advisory Committee in early October. This is part of our normal engagement arrangements and has been arranged for some time.
- Vital that NAMA assets managed appropriately. Previous assurances were sought and received that there would be no firesale of Northern Ireland assets and Northern Irish businesses/individuals would be treated reasonably.
- The priority now is sensible management of the assets and that we ensure that they are released at a suitable time without having a negative impact on the market that is beginning to show some first signs of recovery here
- Agency's 2012 annual report [30 May 2013] indicated that NAMA had approved £86.6m in asset sales in NI from inception to end March 2013. Keen to understand the Agency's plans for realising other NI assets and the impact the nature of those assets has on this. Know 25% relates to land for example.
- Do recognise NAMA's positive role in Northern Ireland in terms of making £123m (to end March 2013) of lending available to Northern Ireland debtors to develop assets.
- The vendor finance NAMA offers to potential commercial property buyers in Northern Ireland is also welcome. This should help stimulate investment and create jobs. Know Invest NI helping to promote this.

- I am also pleased that NAMA is examining the potential for extending its 80/20 Deferred Payment Initiative to Northern Ireland. This is another measure, along with the Executive's Co-ownership Scheme that is designed to provide homebuyers with the confidence and a route to buy their own home. Any steps in this regard which can boost activity in the local property market are clearly to be welcomed.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Background

1. The eventual size of the Northern Ireland portfolio in terms of its acquisition value was €1.3 billion at November 2009, the reference date for valuing NAMA properties.
2. NAMA figures indicate that around 46% of Northern Ireland property securing NAMA loans is located in Belfast, with approximately 80% located in counties Antrim and Down overall. The Northern Ireland portfolio consists of the following asset types:
 - Land 25%
 - Office 18%
 - Residential 10%
 - Hotels 3%
 - Retail 17%
 - Other investment property 22%
 - Development 5%
3. The NAMA Chairman in his statement in the 2012 Annual Report includes the following comments regarding the Agency's approach to the management of assets in NI:

"Our approach to property held by our debtors and receivers has been to encourage a phased and orderly realisation. It would have made no sense, not least in NI, to have saturated the market over

recent years with additional unwanted supply, particularly when credit was not available to many of those who were interested in buying and how would have been considered creditworthy in a properly functioning market. We were clear at the outset that there would be no firesales in NI and we have abided by that principle."

"An important element of our strategy is also to fund the development and completion of commercially viable projects to increase their long-term recoverable value. From inception to end-2012, we had approved €1.7 billion in new advances, and recently, in relation to Northern Ireland, announced a £9 million investment in a new 95-unit housing development in Millmount, Dundonald close to Belfast and are reviewing other opportunities"

4. And in terms of the management of NI assets NAMAs Annual Report and Financial Statements for 2012 on 30 May 2013 indicates that:
 - NAMA had approved £86.6m in asset sales in NI from inception to end March 2013
 - NAMA approved £123m in new advances to NI debtors from inception to end March 2013 to enhance the long-term recoverable value of its debtors' assets.
5. Recent projects supported by NAMA, in addition to the Millmont project referred to above include the announcement on 19 June 2013 that NAMA would provide £15million funding to complete a landmark office development in Belfast which will have the capacity to accommodate around 1,750 people once completed. In April 2012, NAMA struck a deal which will allow 6 well known bars in the Botanic Inns Group to continue trading and thus safeguarding around 300 jobs.
6. It has been reported in the press today (25/9/13) that NAMA has sold a housing site in Coleraine, County Londonderry, for £600,000. It is suggested that this has been sold to Portadown-based housebuilders Hilmark Homes, with the site having planning permission for 53 houses and the new owners reportedly have filed a fresh application to build an initial phase of seven homes. NAMA officials have yet to confirm the details of this with DFP.
7. NAMA has also made vendor finance available in NI. This is a mechanism to generate sales transactions by providing finance to potential buyers of commercial property. NAMA has engaged with Invest NI and professional and representative bodies with a view to communicating NAMA vendor finance availability for commercial transactions in Northern Ireland. NAMA have also indicated that it also engages with Invest NI in relation to assets suitable for industrial parks for indigenous and FDI clients in Northern Ireland.
8. In May 2012 NAMA launched the 80/20 Deferred Payment Initiative (DPI). The Initiative aims to provide home buyers with a level of protection

against a fall in residential property prices from current levels over the next five years. NAMA previously indicated that the Agency was in discussion with a Northern Ireland mortgage provider and was examining the regulatory feasibility of extending the initiative to houses controlled by its debtors and receivers/administrators in Northern Ireland.

**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 29 AUGUST 2013

Copy Distribution List Below

TO: SIMON HAMILTON MLA

INV/266/2012: MEETING WITH MINISTER MICHAEL NOONAN

Issue: You are meeting with the Irish Finance Minister Michael Noonan.

Timing: The meeting is scheduled for Wednesday 4th September 2013 at 10.00am in Government Buildings, Upper Merrion Street, Dublin.

Need for Referral to the Executive Not Applicable.

Presentational Issues: None.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

Recommendations: That you note this background and other briefing material in advance of the event.

Background

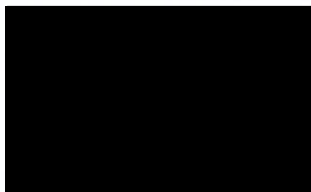
1. You are scheduled to meet Irish Minister for Finance, Michael Noonan, on Wednesday 4th September 2013 at 10.00am in Government Building, Upper Merrion Street, Dublin.

Advice

2. The previous Finance Minister last met with Minister Noonan on the 13th June 2013 and this meeting will provide an opportunity to discuss recent developments. The draft agenda has been passed to Minister Noonan's office. This draft is attached at Annex A and lines to take and background information on each of the issues are attached at Annex B.

Recommendation

3. That you note this background and other briefing material in advance of the meeting.



BILL PAULEY

Copy Distribution List

**Stephen Peover
Michael Brennan
Tony Simpson
Michelle Adams**

List of attachments

Annex A: Draft Agenda

Annex B: Key Issues and Lines to take

MEETING DFP AND DoF MINISTERS : 4 SEPTEMBER 2013

D R A F T A G E N D A

1. Update since 13 June Meeting
 - BoI Meeting 29 July restructuring and UK Schemes
 - Applicability of warehousing Initiatives in Northern Ireland
2. Ulster Bank
 - HMT Review of RBS options and relevance to Irish Economy
3. Economic Pact
 - Building a Prosperous and United Country
4. Independent Panel on Banking
 - Participation of John Trelthowan
5. NAMA/IBRC Update

TOPIC 5: NAMA/IBRC UPDATE

Lines to take

NAMA

- I am due to meet the NAMA Chairman and members of the Board and Northern Ireland Advisory Committee in early October.
- It is clear from NAMA's Annual Report that the Agency is making good progress on its targets.
- Believe the NAMA is playing a very positive role in Northern Ireland and that is something I have sought to highlight.
- Particularly pleased that the Agency's various schemes and initiatives – such as vendor finance and that the lending for debtors to develop assets – are available in Northern Ireland. Know that NAMA is also examining how the 80:20 Deferred Payment Initiative might be extended to Northern Ireland.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

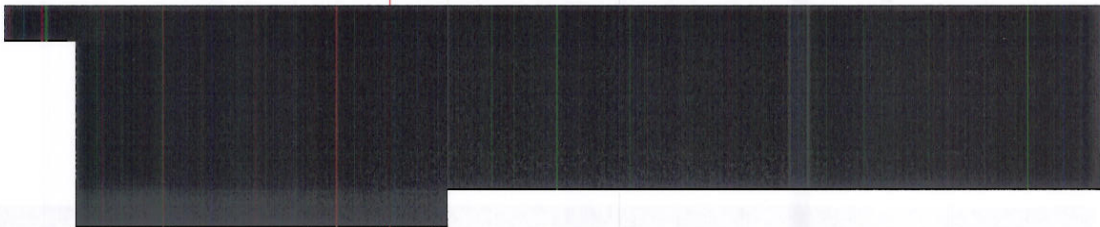
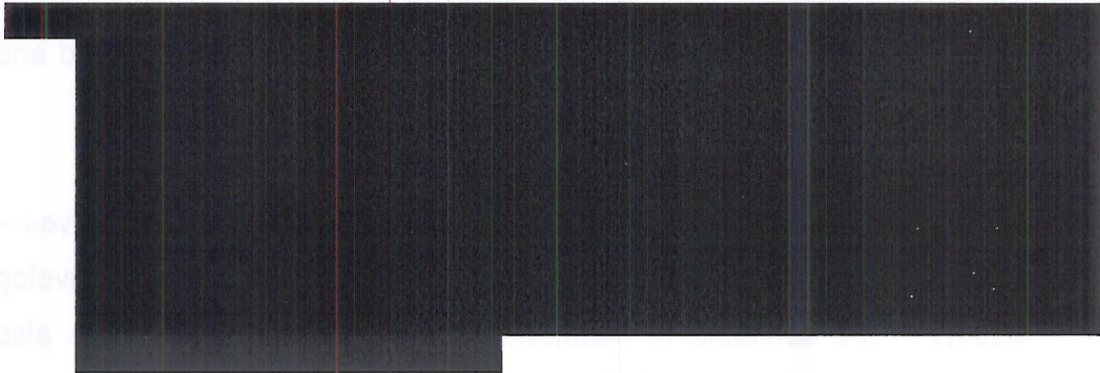
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[REDACTED]

Background

1. NAMA published its Annual Report and Financial Statements for 2012 on 30 May 2013. Key points included:

- For 2012, NAMA reports a profit after impairment, tax and dividends of €228m, which is broadly in line with the profit of €241m reported for 2011.
- Operating profit before impairment in 2012 was €826m.
- The impairment charge for 2012 was €518m, a reduction of 60% on the impairment provision taken in 2011.
- Cash generated in 2012 was €4.5 billion, which includes the proceeds of asset disposals by debtors and receivers and also non-disposal receipts, mainly rental income.
- From inception to date NAMA has generated €12 billion in cash, including €7.9 billion from asset disposals. €1.4 billion of this has been generated in the first five months of 2013.
- Administration costs fell by 7% in 2012. NAMA's cost/income ratio is 3% which compares very favourably with the international average for comparable entities which is of the order of 6%.



FILE NOTE

MEETING DFP (SIMON HAMILTON) AND DOF (MICHAEL NOONAN) MINISTERS 4 SEPTEMBER 2013

Present : Simon Hamilton DFP Minister
Michael Noonan DOF Minister
Bill Pauley DFP
Siobhan Tweedie DFP
Ann Nolan DOF
Nicholas O'Brien DOF

[REDACTED]

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NAMA

Simon Hamilton noted that the IBRC position was resolved.

Simon Hamilton referred to correspondence between the previous DFP Minister and Minister Noonan on NAMA. Minister Noonan indicated that this has been passed to Frank Daly.

Simon Hamilton noted that he was meeting Frank Daly on 17 October.

Simon Hamilton agreed to write to all MLAs again to remind them of the facility that existed for elected representatives to bring matters to NAMA's attention - ACTION Simon Hamilton.

[REDACTED]

[REDACTED]

DFP

September 2013

Ref: 13/2952/MF

15 July 2013

Mr Sammy Wilson MP
Department of Finance and Personnel
DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Dear Minister Wilson,

Thank you for your correspondence of 24th June on behalf of Brown Rudnick and for your recent visit. I too recognise the potential for political sensitivities around NAMA's activities in Northern Ireland, and take comfort in our ability to discuss these issues as well as NAMA's own awareness of these sensitivities as reflected through their establishment of their own Northern Ireland Advisory Committee.

With that in mind, parties with an interest in loans or in the properties or other assets securing those loans are encouraged to make direct contact with NAMA, which assesses all such approaches by reference to its requirement, in accordance with Section 10 of the NAMA Act, to obtain, for the Irish taxpayer, the best achievable financial return on the assets acquired by it.

As Brown Rudnick will be aware, the Agency's policy in relation to loan sales, as with the sale of properties by its debtors and receivers, is that loans should be openly marketed. This does not preclude third party approaches. NAMA's practice, where it receives third party approaches and is satisfied that the sale of the loans at this particular time represents the best possible outcome for the Irish taxpayer, is to appoint loan sale brokers to market the loans and to deal with offers from the original bidder and from other interested parties. This ensures a competitive and transparent sales process, which is an extremely important requirement in the context of NAMA's work. For these reasons, I am advised by NAMA that granting exclusive access to one potential purchaser is not an approach that they favour as it militates against achieving optimal value for the assets concerned.

I think it's very important that Brown Rudnick enter into dialogue with NAMA so that this interest can be fully assessed. Given the scale of the portfolio, proven evidence of funding by Brown Rudnick's client would be an essential prerequisite. Brown Rudnick is no doubt already familiar with NAMA's policy on loan sales, which should help the discussions in this instance. I have made NAMA aware of this potential interest and I am advised that NAMA's Head of Asset Recovery, Ronnie Hanna is the appropriate point of contact in this matter for them.

I hope this information is of assistance to you.

Yours sincerely

MICHAEL NOONAN

Michael Noonan T.D.
Minister for Finance

From the Office of the
Minister for Finance & Personnel



Department of
**Finance and
Personnel**

www.dfpni.gov.uk

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Telephone: 028 90163371

Email: private.office@dfpni.gov.uk

Your reference:
Our reference:

Mr Michael Noonan TD
Minister for Finance
Upper Merrion Street
DUBLIN 2

24 June 2013

Thank you for the time you gave me to discuss banking issues in Dublin last week. During our discussion I raised the issue of NAMA and the potential which I saw for NAMA's legitimate activities in Northern Ireland to create political problems between our administrations. I want to place on record again my appreciation of the way your Government and NAMA have dealt with NAMA's activities in Northern Ireland. However, I know there are hard decisions that have to be made in the near future which will impact on businesses and jobs in Northern Ireland and I can also anticipate the reaction which they will produce.

I mentioned that there is some investment interest in the NAMA loan book for Northern Ireland. I have already had discussions with some of those who are interested. I have made it clear to them that there would be an expectation from the Executive in Northern Ireland of certain safeguards from anyone who was to seek the purchase of NAMA loans before they would have our support.

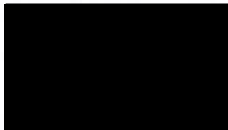
Subsequent to those discussions I received the enclosed letter from Brown Rudnick who will be known to NAMA. They were instrumental in introducing me to two potential investors interested in the NAMA loan book.

You will see outlined a number of assurances which are prepared to give in the event of a successful purchase of NAMA held assets.

I believe there would be advantages in pursuing these proposals for both the Irish Government and the Northern Ireland Executive. First of all, subject to a satisfactory offer there would be immediate and significant funds available for a loan book which may take 10 years to settle. Secondly, from a Northern Ireland perspective the assurances of the use of the Northern Ireland supply chain; the injection of additional funds; and the possibility of the removal of personal guarantees which act as a disincentive to the development of assets, would generate economic activity in Northern Ireland. Thirdly, the potential for political friction as a result of NAMA activities would be removed.

I would appreciate it if you would consider the proposal which has been made and the way forward outlined by Mr Keinan. Obviously I would be more than happy to discuss this with you further.

Yours sincerely



SAMMY WILSON MP MLA

HIGHLY CONFIDENTIAL

Mr Sammy Wilson MP MLA
Minister for Finance and Personnel
Department of Finance and Personnel
DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast
BT4 3SX

24 June 2013

Dear Minister Wilson,

ACQUISITION OF THE NI BORROWER CONNECTIONS LOAN BOOK FROM NAMA

Further to our discussions, we are writing to you to set out in some detail our confirmed interest in exploring with NAMA a potential process for the acquisition of the entire Northern Irish Borrower Connections Loan Book, currently owned and managed by NAMA. We understand and respect that a transaction with a Northern Irish real estate concentration, would have a fundamental impact on the local economy and therefore believe it essential to seek your guidance prior to engaging directly with NAMA.

We understand that loans with a concentration of property located in Northern Ireland acquired by NAMA from the 5 ROI participating Institutions had a par value of circa €3.35bn. In addition to these it is understood there are also other loans (having a Northern Ireland Borrower Connection and primarily relating to the property assets situated in England and Scotland) acquired by NAMA for a further €600-€700m par value.

We understand that a significant majority of the total value of the NI Loan Portfolio is likely to be concentrated in a small number of Borrower Connections.

Two of our clients have each confirmed that they would, independently, be committed to a process of a potential outright purchase of the NAMA Northern Irish Borrower Connections Loan Book. We believe that one in particular is highly committed and will be well known to NAMA as highly competent and financially credible asset manager. We would like to expediently proceed to conclude, what could, hopefully be, a mutually acceptable transaction on a "Cash Only" basis without need for any external finance.

In terms of timeframe we could commence a short 4 week due diligence process to understand the "make-up" of the top 20 Borrower Connections and further to have access to more generic loan stats for the remainder. (The stats ideally would give Asset type, Loan amount and Loan-to-Value). We would then be prepared to provide a binding



indication on pricing. Upon receipt of the required information we could proceed to a full closing within 3-4 months thereof.

We take great comfort from the fact that to date NAMA has ensured that, in respect of all loan transfers, the necessary detailed due diligence processes have been completed to ensure the validity and enforceability of the security and the assets have been protected over the last 2 years. A significant investment in "tidying up" the security package has therefore already been undertaken, which we believe could greatly assist in ensuring a very efficient process if it were allowed to proceed.

As we previously discussed, our clients have confirmed that their respective asset management initiatives with respect to management of the portfolio would be based on the following tenets:

1. a long term asset investment strategy would be adopted;
2. through complete cooperation by borrowers in resolving the underlying loans and agreeing to a restructuring transaction, all contingent liabilities and/or personal guarantees from the Borrower Connections would be capable of being released. Consequently, the underlying assets, which are the principal subject of the underlying debt, would be retained as security and the existing guarantees will no longer be impeding borrowers from undertaking new business ventures;
3. there would be a presumption (subject to normal competency requirements) that the incumbent Borrower Connection could continue with the day to day operation and development (if applicable) of the relevant assets and incentivised on an "arms-length" basis to do so;
4. further funding, subject to evaluation of need and capability to subsequent repayment on conventional terms would be made available to develop and maximise the value and Return-On-Investment of the assets; and
5. finally, it would be assumed that Northern Ireland supply chains will be utilised, as far as possible (subject to competency and price), (e.g. Construction Companies, Material suppliers, Architects, Professional services, Facility Management and other Service and Goods suppliers) so as to maximise value for the Northern Ireland economy.

The integrity of the transaction is our main concern. Proceeding, with one party on a limited exclusivity, will ensure a focused, expedient process with guaranteed confidentiality, which we would see as absolutely vital for such a process.

On a personal note and by way of further background, I personally had responsibility and initiated the very first loan portfolio sale that NAMA completed (in 2012 to Morgan Stanley), and currently represent the borrower in relation to NAMA's sale of Project Aspen (ca. €810m). I hope that my knowledge of the NAMA Act, NAMA's process and



approach to execution, and Brown Rudnick's record to date will also be helpful in continuing to instill confidence with the NAMA Board as to the deliverability of this potential project.

We would very much look forward to working with NAMA and the Northern Irish Government in creating a win-win long term solution in relation to this portfolio.

Yours sincerely,



Tuvi Keinan
Partner

**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 10 JUNE 2013

Copy Distribution List Below

TO: SAMMY WILSON MP MLA

**INV/128/2012: MEETING WITH MINISTER MICHAEL NOONAN
ABOUT ONGOING BANKING CONCERNS**

**Issue: You are meeting with the Irish Finance
Minister Michael Noonan to discuss a range
of banking issues..**

**Timing: The meeting is scheduled for Thursday 13
June 2013 at 12:30 in Government
Buildings, Upper Merrion Street, Dublin.**

**Need for Referral to the
Executive Not Applicable.**

Presentational Issues: None.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

**Statutory Equality
Obligations: None.**

**Recommendations: That you note this background and other
briefing material in advance of the event.**

Background

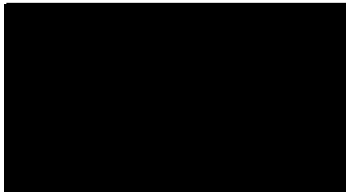
1. You are scheduled to have arranged to meet Irish Minister for Finance Michael Noonan to discuss ongoing banking concerns. The meeting will take place on Thursday 13 June at 12:30 in Government Building, Upper Merrion Street, Dublin.

Advice

2. You highlighted a number of issues you would like to raise in your 9th April 2013 letter to to Minister Noonan. These include:
 - The restructuring of Irish Pillar banks and the impact on Northern Ireland operations;
 - The Irish Government's 'warehousing' plans for tackling the personal debt crisis;
 - The liquidation of IBRC and the position of Northern Ireland based staff; and
 - The implications of the Mercer report on bank remuneration.
3. Since then, you have also received a number of correspondence from First Trust staff regarding a contractual dispute around pay and bonus payments. You indicated that your responses to these individuals that you would raise this with both the bank and Minister Noonan. It is also suggested that you might wish to discuss the position of the Ulster Bank following the leaked report of the Parliamentary Commission on Banking Standards. Private Office has shared a draft agenda, incorporating all of the above issues, with Minister Noonan's Office. This is attached at Annex A.
4. Lines to take and background information on relevant topics are included at Annex B for information.

Recommendation

5. That you note this background and other briefing material in advance of the meeting.



BILL PAULEY

Copy Distribution List

Stephen Peover

Tony Simpson

Michelle Adams

Patrick McKeown

List of attachments

Annex A: Draft Agenda

Annex B: Key Issues and Lines to take

DRAFT AGENDA

- (i) The restructuring of Irish Pillar banks and the impact on Northern Ireland operations
- (ii) NAMA & the liquidation of the IBRC & the position of Northern Ireland based staff.
- (iii) Position of Ulster Bank
- (iv) The Irish Government's 'warehousing' plans for tackling the personal debt crisis
- (v) First Trust contractual dispute around pay and bonus payments

ANNEX B

KEY ISSUES AND LINES TO TAKE

List of Issues:

- | | |
|---------|---|
| TOPIC 1 | THE RESTRUCTURING OF IRISH PILLAR BANKS AND THE IMPACT ON NORTHERN IRELAND OPERATIONS |
| TOPIC 2 | NAMA & THE LIQUIDATION OF IBRC AND THE POSITION OF NORTHERN IRELAND BASED STAFF |
| TOPIC 3 | POSITION OF ULSTER BANK |
| TOPIC 4 | THE IRISH GOVERNMENT'S 'WAREHOUSING' PLANS FOR TACKLING THE PERSONEL DEBT CRISIS |
| TOPIC 5 | FIRST TRUST CONTRACTUAL DISPUTE AROUND PAY AND BONUS PAYMENTS |

TOPIC 2 NAMA & THE LIQUIDATION OF IBRC AND THE POSITION OF NORTHERN IRELAND BASED STAFF

Lines to take

NAMA

- I meet regularly with the NAMA Chairman and members of the Board and Northern Ireland Advisory Committee – most recently in April.
- See from its Annual Report that was published last month that the Agency is making good progress on its targets.
- Believe the NAMA is playing a very positive role in Northern Ireland and that is something I have sought to highlight.
- Particularly pleased that the Agency's various schemes and initiatives – such as vendor finance and that the lending for debtors to develop assets – are available in Northern Ireland. Know that NAMA is also examining how the 80:20 Deferred Payment Initiative might be extended to Northern Ireland.

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[REDACTED]

[REDACTED]

[REDACTED]

Background

NAMA

1. NAMA published its Annual Report and Financial Statements for 2012 on 30 May 2013. Key points included:
 - For 2012, NAMA reports a profit after impairment, tax and dividends of €228m, which is broadly in line with the profit of €241m reported for 2011.
 - Operating profit before impairment in 2012 was €826m.
 - The impairment charge for 2012 was €518m, a reduction of 60% on the impairment provision taken in 2011.
 - Cash generated in 2012 was €4.5 billion, which includes the proceeds of asset disposals by debtors and receivers and also non-disposal receipts, mainly rental income.
 - From inception to date NAMA has generated €12 billion in cash, including €7.9 billion from asset disposals. €1.4 billion of this has been generated in the first five months of 2013.
 - Administration costs fell by 7% in 2012. NAMA's cost/income ratio is 3% which compares very favourably with the international average for comparable entities which is of the order of 6%.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

From the Office of the
Minister for Finance & Personnel



Department of
**Finance and
Personnel**

www.dfpni.gov.uk

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Telephone: 028 90163371

Email: private.office@dfpni.gov.uk

Your reference:

Our reference: COR/278/2013

Mr Frank Daly
Chairman NAMA
Treasury Buildings
Grand Canal Street
Dublin 2

// June 2013

I noted the references in the 2012 NAMA Annual Report and Financial Statement to the Agency's management of the IBRC loan portfolio and the role that will be played by Capita Asset Services going forward in this regard. We discussed this issue when we last met on 22 April 2013 and you indicated at that stage that Capita's business model for delivering these services had yet to be determined. As you know, I have received numerous representations from Northern Ireland based staff of the IBRC concerned about their future employment prospects, including those currently managing, on behalf of NAMA, that element of the IBRC loan portfolio already acquired by the Agency.

In terms of the remainder of the IBRC portfolio, I recognise that you will not have full visibility on the totality of the IBRC loans that NAMA will ultimately assume responsibility for until the Special Liquidators valuation and sales process has been completed. However, I am writing at this stage to seek an update on NAMA's plans for the management of those loans/assets already acquired. As we discussed, many of the IBRC staff currently undertaking this work under the Service Level Agreement you have with the IBRC - which I understand is due to end on 30th June - would be keen to see the Agency and Capita adopt an operational model where at least some of this work, and the jobs that go with that, is Belfast based. This is a position I support and while clearly I would like to see these jobs retained in Northern Ireland, this would in my view also enable the Agency/Capita to draw on and benefit from the local knowledge and expertise of the current workforce. Secondly, it would also allow important personal debtor relationships to be maintained for the Agency's benefit. I would be grateful if you would advise me on what consideration has been given to this matter and the current position in this regard.

Separately, we discussed how NAMA's Vendor Finance offering could be promoted in Northern Ireland and my officials raised this matter with Invest NI counterparts. I am informed that they have been liaising with your officials on this and a number of avenues have been identified and are currently being considered. I trust this will help improve the awareness of the valuable support that is available from NAMA.

Yours sincerely

SAMMY WILSON MP MLA

**FROM: TONY SIMPSON
STRATEGIC POLICY DIVISION
Ext. 68006**

DATE: 19 APRIL 2013

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

INV/70/2013: MEETING WITH NAMA

Issue: You are meeting with representatives from NAMA, including Mr Frank Daly.

Timing: The meeting will take place at 2.30 pm on Monday 22nd April 2013 in your office at Parliament Buildings.

Need for Referral to the Executive Not Applicable.

Presentational Issues: Routine.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

Recommendations: That you note this background brief and attached material in advance of the meeting.

Background

1. You have agreed to meet with the NAMA Chairman, Mr Frank Daly, on Monday 22 April 2013 at 2.30pm in your office at Parliament Buildings. NAMA will also be represented by Ronnie Hanna (Head of Asset Recovery), Jonathan Milligan (Senior Divisional Manager) and Tom Ward (Board Secretary).

Advice

2. You last met with the NAMA Chair and colleagues on 3 December 2012 and this meeting is intended to provide NAMA representatives with an opportunity to update you on recent developments. Background material and high level lines to take which with probe on the implications for Northern Ireland are attached at Annex A.

Recommendation

4. It is recommended that you note this background and other briefing material in advance of the event.



TONY SIMPSON

Copy Distribution List

**Stephen Peover
Bill Pauley
Michelle Adams
Patrick McKeown
Kim Burns
Judith Finlay
Assembly Section**

List of attachments

Annex A: High level lines to take

HIGH LEVEL LINES TO TAKE

Lines to take:

Opening Remarks

- Thank you for taking the time to come up to Belfast this afternoon. There has clearly been some movement on a number of the issues we discussed in December.

Millmount

- I also issued a press release welcoming the £9 million funding being made available for the Millmount development in, Dundonald.
- Still some concern locally about the influence NAMA has on our property market so I believe it's important to highlight the positive role that the agency is playing.
- A lack of confidence in the local property market continues to be a problem and from that stand-point, it is important that the message that NAMA won't engage in a firesale is re-iterated. The Millmount development is a perfect example of the longer term measured view of asset management that you previously indicated that you intend taking. Important to keep hammering this point home.
- What are the timescales involved in these development?
- Are there any plans for other investment of this kind in the local property market?

80:20 Deferred Payment Initiative

- I also welcomed in my press release your announcement that you were examining how the 80:20 Deferred Payment Initiative might be extended to Northern Ireland.
- Happy to see that NAMA are engaging with a mortgage provider in this regard. How are these discussions progressing? Can you say at this stage who this provider is?
- Know you think Millmount may be suitable for the initiative. Any other suitable developments being considered. What areas?

Ramada Hotel, Portrush

- The administration of the Ramada Hotel in Portrush attracted some negative press up here.
 - Always a difficult process for those involved, but I have said that it was my hope that the administrator can find a solution that sees the continuation of the business as a going concern and protects the economic activity associated with that.
 - Appreciate that it is early days in the administration process, but do you have any sense in that regard?
- [REDACTED]
- [REDACTED]
- [REDACTED]

Financial Update

- More broadly, understand from the 2012 End of Year Update that NAMA has generated €10.5 billion cash receipts which includes €6.9 billion from asset disposals and €3.6 billion generated in non-disposal income to date. What contribution have NI based assets / loans played in this?
- I also note that currently there is €1.5 billion worth of Irish assets on the market through debtors and receivers; do you have an equivalent figure for Northern Ireland?
- Moving forward, what assumptions are you making about NI-based assets and loans?
- Any plans to release any significant assets for sale in near future that I should be aware of?

NI Activity & Debtor / Vendor Support

- Had previously welcomed the £100m of lending made available to Northern Ireland debtors (in a 10 October DFP Press Release). What has the uptake be like to date? Can you provide any detail on the type of development supported here?
- Any notable uptake and demand for vendor finance since NAMA made this available in Northern Ireland in March 2012?

Engagement with Housing Associations

- Following on from the Clanmill agreement, has NAMA been engaging with any other housing associations in Northern Ireland?

Emerging Trends – Debtor Relationships

- I previously indicated that I was pleased to note that Ronnie's comments last year that NAMA are working well with debtors who are willing to co-operate with the agency and that enforcement action is only considered as a last resort – is this still the case?
- Pleased that you recent suggested to me that around two-thirds of debtors have viable business plans – is this also still the case?
- How are you finding your relationships with NI-based debtors are developing? Any emerging trends that are concerning you?

UUJ Supported Research: Spatial Analysis of Residential Land Banks in NI

- Can you provide any update on the status of this research?

Background:

General

1. The Northern Ireland properties in the NAMA portfolio had a market value of €1.3bn at November 2009, the reference date for valuing NAMA properties (4% of the €31.8bn NAMA portfolio). NAMA figures indicate that around 46% of Northern Ireland property securing NAMA loans is located in Belfast, with approximately 80% located in counties Antrim and Down. NAMA indicate that the Northern Ireland portfolio consists of the following asset types:

Land	25%	Retail	17%
Office	18%	Other investment property	22%
Residential	10%	Development	5%
Hotels	3%		

2. On 18 October NAMA's Head of Asset Recovery, Ronnie Hanna, commented that the Agency remains committed to acting responsibly in Northern Ireland. Mr Hanna indicated that NAMA will play a role in bringing stability to the Northern Ireland Housing market. Mr Hanna also indicated that the agency:
 - has provided liquidity of £100 million in the form of lending to Northern Ireland-based debtors, at a time when traditional bank funding is scarce;
 - plans to assist in the stabilisation of the Northern Ireland market by generating transactions and reactivating the market;
 - is working well with Northern Ireland debtors that are willing and able to co-operate with it and that enforcement action is only considered as a last resort;
 - has developed strong working relationships with key stakeholders in Northern Ireland, including the Minister for Finance and Personnel and his Department; the Northern Ireland Assembly and Business Trust; and a range of public sector bodies; and
 - relies heavily on the local input and experience that is available to it through its dedicated Northern Ireland Advisory Committee.

Millmount

3. On 16 April 2013, NAMA announced plans to provide funding of £9 million to build a new 95-unit housing development in Millmount, Dundonald close to Belfast.
4. The Agency will provide funding to develop the site through an agreement between the court-appointed administrator and a Northern Ireland-headquartered construction company. Work has recently commenced.

5. An estimated 100 jobs will be generated during the construction phase of the project, which is expected to last approximately 18 months. When completed, the first phase will consist of 95 mainly three- and four-bedroom houses. The site has outline planning for 510 residential properties, which may be delivered in subsequent phases subject to market conditions and the success of the initial phase.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Financial Update

9. NAMA's 2012 end of Year Update states that:

- NAMA has generated €10.5 billion in cash flows since inception.
- €6.9 billion in asset disposals.
- Sales transactions completed in respect of over 3,900 individual properties.
- €1.5 billion worth of Irish assets currently on the market through debtors and receivers.
- €4.4 billion in cash generated in 2012, including €1.3 billion in recurring non-disposal income (€3.6 billion generated in nondisposal income to date).
- End-year cash and cash equivalent balances of €3.6 billion, after NAMA senior bond redemptions and other debt repayments totalling over €5 billion since inception.
- NAMA remains profitable, despite a prudent impairment policy.
- 2011: Net profit after tax of €247 million.
- 2012 (to end-June): Net profit after tax of €222 million (a detailed impairment review is being carried out in respect of the 2012 financial year and will be reflected in the full-year audited accounts (subject to audit by C&AG) that are expected to be published by mid-2013).

80:20 Deferred Payment Initiative

10. On 15 October 2012, NAMA announced it was extending its residential mortgage 80:20 Deferred Payment Initiative to an additional 180 houses in 12 counties (including an additional 9 counties over-and-above those included in the original pilot scheme. The scheme protects buyers from decreases of up to 20% in the value of their property over the next five years - 80% of the agreed sale price of the property will be paid upfront. The remaining 20% will only be due in five years' time. How much, if any, of that 20% is then due will be calculated on the basis of an independent assessment of the property's value at that point. On 14 March 2013 NAMA launched the third phase of its residential mortgage 80:20 Deferred Payment Initiative, featuring an additional 100 houses and apartments in 4 counties bringing the overall offering to close to 400 properties.
11. In March 2012, Chairman Frank Daly stated that if the 80/20 initiative was a success in the Republic, NAMA would be very open to seeing if a similar initiative could be introduced in Northern Ireland with their partner banks. Mr Daly went further by indicating that "any initiative" which is available in the Republic will, where possible, be made available and tailored to suit Northern Ireland.
12. On 16 April 2013, NAMA announced it is in discussion with a Northern Ireland mortgage provider and is examining the regulatory feasibility of extending its 80/20 Deferred Payment Initiative to houses controlled by its debtors and receivers/administrators in Northern Ireland. Subject to lender agreement and regulatory approval, it is anticipated that Millmount will be suitable for the initiative.

Vendor Finance

13. Vendor finance is a mechanism to generate sales transactions by providing finance to potential buyers of commercial property. With financial institutions reluctant to underwrite lending to property, NAMA proposes to offer up to 70% vendor debt finance to purchasers of commercial property that is under the control of NAMA debtors or receivers appointed by the Agency.
14. On 8 March 2012, Frank Daly announced that NAMA would be making vendor finance available in Northern Ireland. On 23 May 2012, Frank Daly announced that NAMA expects to lend at least €2 billion in the form of vendor finance to acquirers of commercial property. At present, a specific amount for Northern Ireland has yet to be provided. In the 2012 End of Year Update it was reported that the first vendor transaction was completed and others are currently in the pipeline and nearing completion.

Engagement with Housing Associations

15. Clanmill, one of Northern Ireland's largest housing associations is in talks with NAMA with a view to buying the Hilden Mill complex near Lisburn. Clanmil has signed an option agreement giving them time to consider proposals for the site and the right to buy it, if those plans prove viable.
16. The site already has planning permission for around 600 homes and is currently owned by Hilden Developments (NI) whose loans of £45m were transferred to Nama.

Emerging Trends – Debtor Relationships

17. On 18 October, speaking the Chartered Accountants Ulster Society Ronnie Hanna indicated the Agency was working well with Northern Ireland debtors that are willing and able to co-operate with it and that enforcement action is only considered as a last resort.

UUJ Supported Research: Spatial Analysis of Residential Land Banks in NI

18. NAMA, along with the Northern Ireland Housing Executive, are joint funding this research project.
19. Therefore this research is designed to enhance cross-disciplinary understanding of the 'transformational shift' in the land market culminating in the development of a more holistic, integrated and sustainable residential land development model. The model will be premised on a robust and credible evidence base that can be utilised to inform future land acquisition and lending decisions as well as promoting greater collaboration across key stakeholder groupings. Specifically, the project will utilise GIS to profile the density of residential development land holdings across Northern Ireland. Land holdings will subsequently be overlaid and analysed relative to series of housing demand/supply based indicators in order to identify the commercial viability of pipeline development schemes including opportunities for public-private stakeholder partnerships and cross-institutional collaborations.

**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 05 DECEMBER 2012

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

INV/406/2012: MEETING WITH NAMA CHAIRMAN FRANK DALY

Issue: You have agreed to meet with NAMA Chair Frank Daly.

Timing: The meeting is scheduled for 3pm on Monday 10 December 2012.

Need for Referral to the Executive Not Applicable.

Presentational Issues: None.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

**Recommendations: That you:
(a) Note this background and other briefing material in advance of the event.**

Background

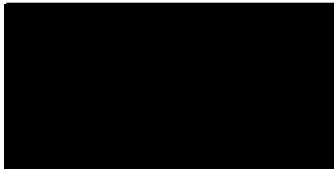
1. You have agreed to meet with the NAMA Chairman on Monday 3 December 2012 at 3pm in Room 21, Parliament Buildings. NAMA will also be represented by Ronnie Hanna (Head of Asset Recovery), Jonathan Milligan (Senior Divisional Manager) and Tom Ward (Board Secretary). Northern Ireland Advisory Committee members Brian Rowntree and Frank Cushnahan may also attend. Those named above will be in Belfast earlier that day for a meeting of the Northern Ireland Advisory Committee.

Advice

2. Pen pictures for attendees are attached at Annex A. NAMA have suggested the following list of topics for discussion:
 - Financial Update;
 - NI Activity & Debtor Support;
 - Pipeline Projects;
 - 80:20 Deferred Payment Initiative;
 - Vendor Finance;
 - Engagement with Housing Associations;
 - Emerging Trends – Debtor Relationships; and
 - UUJ Supported Research: Spatial Analysis of Residential Land Banks in NI.
3. You last met with the NAMA Chair and other representatives on 18 June 2012. The upcoming meeting is intended to provide NAMA representatives with an opportunity to update you on the latest developments and as such background material and high level lines to take which probe on the implications for Northern Ireland are attached at Annex B.

Recommendation

4. It is recommended that you note this background and other briefing material in advance of the event.



BILL PAULEY

Copy Distribution List

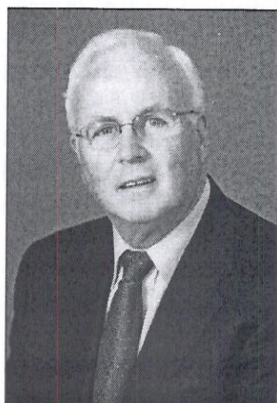
**Stephen Peover
Richard Pengelly
Tony Simpson
William Dickson
Patrick McKeown
Kim Burns**

List of attachments

**Annex A: Pen Pictures
Annex B: High level lines to take**

PEN PICTURES

**MR FRANK DALY
NAMA CHAIRMAN**



Mr Daly was appointed Chairman of the National Asset Management Agency (NAMA) by Ireland's Minister of Finance in December 2009.

Previous to the NAMA appointment, Mr Daly served as Public Interest Director of the Anglo Irish Bank under the Banks Guarantee Scheme and Chairman of the Commission on Taxation, which was established to review the structure and efficiency of the Irish Taxation System.

From 2002 to 2008, Mr Daly was Chairman of the Revenue Commissioners. Having joined the Revenue in 1963, Daly had been a Commissioner since 1996 and Accountant General of Revenue and Head of Strategic and Business Planning since 1993.

**MR RONNIE HANNA
NAMA HEAD OF ASSET RECOVERY**



Mr Hanna has over 30 years experience in banking. Prior to joining NAMA, he had worked in a variety of roles at Ulster Bank, Nat West and RBS, most recently as Head of Global Restructuring Group NI for Ulster Bank. He is a graduate of Queen's University Belfast and a Fellow of the Institute of Bankers in Ireland.

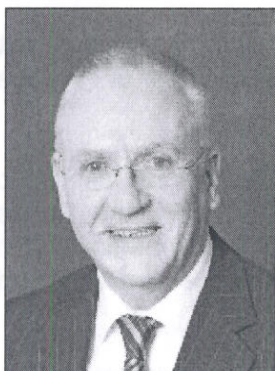
The Asset Recovery Division works with debtors and receivers to enhance the effective and efficient management of loan recoveries. The Division has developed from the merger of the former divisions of Portfolio Management, Credit and Lending and Corporate Finance.

**MR JONATHAN MILLIGAN
NAMA SENIOR DIVISIONAL MANAGER**



No biography available. However it is believed Mr Milligan had been Deputy Head of Credit & Risk at the National Treasury Management Agency and prior to this had worked in Belfast for 22 years as Senior Credit Manager then as Associate.

MR BRIAN ROWNTREE
MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE



Mr Brian Rowntree was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13 May 2010. Mr Rowntree served as Chairman of the NI Housing Executive from May 2004 to June 2012. He has held a number of previous Public Appointments at Chair and Non Executive Director level in Criminal Justice, Health and Further Education and has chaired corporate governance forums in Northern Ireland and on a Cross Border basis.

MR FRANK CUSHNAHAN
MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE



Mr Frank Cushnahan was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13 May 2010. Mr Cushnahan served as Chairman of the Northern Ireland Department of Finance and Personnel Ministerial Panel of the Performance and Evaluation Delivery Unit; Chairman of the Audit Committee of the Office of the First and Deputy First minister and Non Executive Board member of the First and Deputy First Minister.

Pen picture unavailable for:
Mr Tom Ward, NAMA Board Secretary.

HIGH LEVEL LINES TO TAKE

Lines to take:

Opening Remarks

- Welcome Ronnie's comments at the Chartered Accountants Ulster Society on 18 October.
- A lack of confidence in the local property market continues to be a problem and from that stand-point, it is important that the message that NAMA won't engage in a firesale is re-iterated.
- Ronnie's statement that the Agency will continue to play its part in bringing stability to the local property market is also very helpful in that regard.

Financial Update

- Understand that NAMA's cash receipts are nearing €10 billion which includes €6.2 billion from asset disposals and €3.3 billion from recurring income such as rental payments on debtors' properties. What contribution have NI based assets / loans played in this?
- What is the forward-look like and what assumptions have you made about NI assets / loans?

NI Activity & Debtor Support

- I have recently publicly welcomed the positive role played by NAMA, and in particular the £100m of lending made available to Northern Ireland debtors (in a 10 October DFP Press Release). Can you provide any detail on the type of development supported here?
- Any issues of particular note discussed at this morning's Northern Ireland Advisory Committee meeting?

Pipeline Projects

- Any plans to release any significant assets for sale in near future that I should be aware of?

80:20 Deferred Payment Initiative

- Understand that the 80/20 deferred payment initiative was extended to a further nine counties in October over-and-above the original three included in the pilot.

- Saw Brendan McDonagh's comments that while still at an early stage, the scheme had been received favourably by purchasers. Similar concerns about falling prices in Northern Ireland. Any further thinking around extending this or making similar scheme available here?

Vendor Finance

- What has been the uptake / demand for vendor finance since NAMA made this available in Northern Ireland in March?

Engagement with Housing Associations

- I believe the Clanmill agreement has shown the potential benefit NAMA may have on our local economy. What are the current plans for this development?
- Are there any other planned developments of this nature?

Emerging Trends – Debtor Relationships

- Was pleased to note that Ronnie indicated on 18 October that NAMA are working well with debtors who are willing to co-operate with the agency and that enforcement action is only considered as a last resort.
- Are most NI-based debtors co-operating then? Any emerging trends that are concerning you?

UUJ Supported Research: Spatial Analysis of Residential Land Banks in NI

- Seems an interesting piece of work. Understand NAMA is funding this research along with the Northern Ireland Housing Executive.
- How exactly will NAMA use this research to assist its NI operations?
- When do you expect the publication to be finalised and what stage is it currently at?

Background:

General

1. The Northern Ireland properties in the NAMA portfolio had a market value of €1.3bn at November 2009, the reference date for valuing NAMA properties (4% of the €31.8bn NAMA portfolio). NAMA figures indicate that around 46% of Northern Ireland property securing NAMA loans is located in Belfast, with approximately 80% located in counties Antrim and Down. NAMA indicate that the Northern Ireland portfolio consists of the following asset types:

Land	25%	Retail	17%
Office	18%	Other investment property	22%
Residential	10%	Development	5%
Hotels	3%		

2. On 18 October NAMA's Head of Asset Recovery, Ronnie Hanna, commented that the Agency remains committed to acting responsibly in Northern Ireland. Mr Hanna indicated that NAMA will play a role in bringing stability to the Northern Ireland Housing market. Mr Hanna also indicated that the agency:
- has provided liquidity of £100 million in the form of lending to Northern Ireland-based debtors, at a time when traditional bank funding is scarce;
 - plans to assist in the stabilisation of the Northern Ireland market by generating transactions and reactivating the market;
 - is working well with Northern Ireland debtors that are willing and able to co-operate with it and that enforcement action is only considered as a last resort;
 - has developed strong working relationships with key stakeholders in Northern Ireland, including the Minister for Finance and Personnel and his Department; the Northern Ireland Assembly and Business Trust; and a range of public sector bodies; and
 - relies heavily on the local input and experience that is available to it through its dedicated Northern Ireland Advisory Committee.

Financial Update

3. On 24 October, NAMA stated that the total cash generated from asset disposals and loan repayments now stands at €9.5 billion – up from €8 billion at the end of June. Chief Executive Brendan McDonagh, speaking to the Joint Oireachtas Committee on Finance, Public Expenditure and Reform, said the Agency's cash receipts, up to mid-October, include €6.2 billion from asset disposals and €3.3 billion from recurring income such as rental payments on debtors' properties and intensive management of assets securing the Agency's loans. *Mr McDonagh was quoted:*
- "Perhaps the most important measure of NAMA's performance is cash-flow generation and this remains very strong". "The strong cash performance has enabled us to remain firmly on course to meet our debt repayment targets".*

80:20 Deferred Payment Initiative

4. On 15 October 2012, NAMA announced it was extending its residential mortgage 80:20 Deferred Payment Initiative to an additional 180 houses in 12 counties (including an additional 9 counties over-and-above those included in the original pilot scheme. The scheme protects buyers from decreases of up to 20% in the value of their property over the next five

years - 80% of the agreed sale price of the property will be paid upfront. The remaining 20% will only be due in five years' time. How much, if any, of that 20% is then due will be calculated on the basis of an independent assessment of the property's value at that point. In March 2012, Chairman Frank Daly stated that if the 80/20 initiative was a success in the Republic, NAMA would be very open to seeing if a similar initiative could be introduced in Northern Ireland with their partner banks. Mr Daly went further by indicating that "any initiative" which is available in the Republic will, where possible, be made available and tailored to suit Northern Ireland.

Vendor Finance

5. Vendor finance is a mechanism to generate sales transactions by providing finance to potential buyers of commercial property. With financial institutions reluctant to underwrite lending to property, NAMA proposes to offer up to 70% vendor debt finance to purchasers of commercial property that is under the control of NAMA debtors or receivers appointed by the Agency.
6. On 8 March 2012, Frank Daly announced that NAMA would be making vendor finance available in Northern Ireland. On 23 May 2012, Frank Daly announced that NAMA expects to lend at least €2 billion in the form of vendor finance to acquirers of commercial property. At present, a specific amount for Northern Ireland has yet to be provided.

[REDACTED]

[REDACTED]

[REDACTED]

Emerging Trends – Debtor Relationships

9. On 18 October, speaking the Chartered Accountants Ulster Society Ronnie Hanna indicated the Agency was working well with Northern Ireland debtors that are willing and able to co-operate with it and that enforcement action is only considered as a last resort.

UUJ Supported Research: Spatial Analysis of Residential Land Banks in NI

10. NAMA, along with the Northern Ireland Housing Executive, are joint funding this research project.

11. Therefore this research is designed to enhance cross-disciplinary understanding of the 'transformational shift' in the land market culminating in the development of a more holistic, integrated and sustainable residential land development model. The model will be premised on a robust and credible evidence base that can be utilised to inform future land acquisition and lending decisions as well as promoting greater collaboration across key stakeholder groupings. Specifically, the project will utilise GIS to profile the density of residential development land holdings across Northern Ireland. Land holdings will subsequently be overlaid and analysed relative to series of housing demand/supply based indicators in order to identify the commercial viability of pipeline development schemes including opportunities for public-private stakeholder partnerships and cross-institutional collaborations.

From: Pauley, Bill
Sent: 11 December 2012 13:38
To: Simpson, Tony; McKeown, Patrick
Cc: 'Ayer, Jenny'
Subject: INV 406 2012 Meeting NAMA 10 December 2012 - Notes

Tony / Patrick - Notes from yesterday
Jenny - associate with briefing.

Meeting NAMA 10 December 2012

Introduction

- Minister welcomed NAMA overall approach. Felt difficult issues well managed.

Financial

- £77m in sales in NI, will take other opportunities as they arise
- £130m to debtors in NI, more available to good projects / ideas. NAMA "cash healthy".
- Capital Investment. NAMA have €2bn capital to invest. Want message out there. If Minister can help.
- Vendor Finance. €2bn available. Successful in South. Extended to NI from March 2012. None yet completed.
- Most leads come IDA. Asked if Invest could help. Minister agreed raise DETI Minister.
- NAMA v keen both Capital investment and Vendor Finance promoted.

Residential Market

- Planning extend 80 20 deferred payment scheme to NI
- Discussing with local banks for partner
- Millmount (?) perhaps first candidate - Minister agreed help launch perhaps January.
- Scheme has worked in South - 94 properties but also creates footfall on sites
- Minister welcomed as "another option".

Approach Sales

- Will sell. Open market criteria.
- Also not shy about making debtor sell if opportunity exists
- Discussing some sites Invest NI. Possible start up premises, etc. Keen this contact continues.

Minister agreed mention DETI Minister.

Housing Associations



- Discussed situation of Housing Association grant from DSD
- Need for Federation involvement otherwise Precluded for making advance
- NAMA have 790 units in NI. Might be available for deals.

Potential Larger Asset Disposals

- None on immediate horizon
- Several that need improved first - then generate income / rent - then realise asset

Receivers

- Thought to be generally slow. Passive. Some overstretched. Earning fees.
- Not maximising sales inward investment, including equity investors. This starting to happen Dublin.

- Invest NI might refer. Minister agreed raise with DETI Minister.
- NAMA do discuss NI property with such investors.

Debtor Relationships

- Vast majority stable - only 2 insolvencies recently.
- Most co-operating. 2/3 on positive consensual basis.

- Trying get more positive debtors to be more public
- Considering how issue of personal guarantees can be resolved.
- NAMA Board policy that after 2 years "fall away".

UU Study - Alasdair Adair

- V useful for NAMA. More useful if all, including govt could participate.
- OFMDFM role? LPS role? UU role?
- Noted NAMA just 20% total residential. 33% of wip.

Bill Pauley

Central Finance Group / Strategic Policy Division

Tel: +44 (0) 2891858001 (68001)

Mobile: [REDACTED]

Note of meeting with Denis Rooney, NAMA Advisory Group, on Tuesday, 26 June 2012
[INV/218/2012]

Present: Sammy Wilson, Bill Pauley

The Minister explained Northern Ireland's position in relation to NAMA and asked Mr Rooney what his role was. Mr Rooney advised that he was appointed 4 months ago and his role is to advise Minister Noonan how NAMA is operating in relation to personnel, structures and a general overview of the organisation. He said his role was not NI specific. He said he was interested in NI's view of NAMA and asked if analysis had been carried out.

The Minister advised that the University of Ulster is conducting a comprehensive analysis and that his main concern is that there are a large number of assets to be disposed of by the NI Executive.

Mr Rooney asked to be alerted if there were likely to be problems. The Minister agreed that Bill would liaise with Mr Rooney if there were any particular issues.

Siobhan Tweedie
Private Secretary to Sammy Wilson MP MLA
Minister for Finance & Personnel

**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 14JUNE 2012

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

INV/189/2012: MEETING WITH NAMA CHAIRMAN

Issue: You have agreed to meet with NAMA Chair Frank Daly and other representatives from the Agency.

Timing: The meeting is scheduled for Monday 18th June 2012.

Need for Referral to the Executive Not Applicable.

Presentational Issues: A draft press release is attached

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

Recommendations: That you:
(a) Note this background and other briefing material in advance of the event.

Background

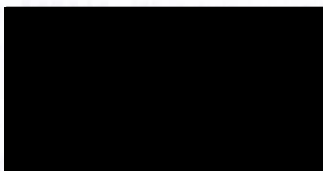
1. You have agreed to meet with senior NAMA officials and members of its Northern Ireland Advisory Committee on Monday 18 June in Parliament Buildings at 14:45. NAMA will be represented by Chairman Frank Daly, Ronnie Hanna (Head of Asset Recovery), Jonathan Milligan (Senior Divisional Manager) and Tom Ward (Board Secretary) and Northern Ireland Advisory Committee members Brian Rowntree, Frank Cushnahan and Willie Soffe (who is also a member of the NAMA Board).

Advice

2. Pen pictures for attendees are attached at Annex A. There is not a specific agenda for this meeting, however it is suggested that you use this as an opportunity to raise a number of issues including: (i) the re-organisation in NAMA; (ii) the investment that is being made available for the development of assets (iii) NAMA initiatives to stimulate the property market. Headline Lines to Take on these issues are provided at Annex B, as are more detailed lines and background information on individual topics. A draft press release is attached at Annex C.

Recommendation

4. It is recommended that you note this background and other briefing material in advance of the event.



BILL PAULEY

Copy Distribution List

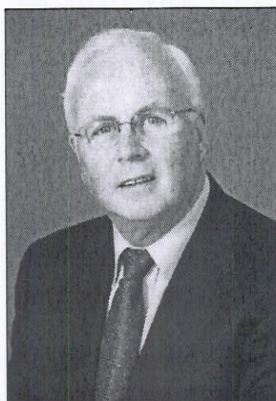
**Stephen Peover
Richard Pengelly
Tony Simpson
William Dickson
Patrick McKeown
Kim Burns**

List of attachments

**Annex A: Pen Pictures
Annex B: Key Issues, Questions and Lines to take
Annex C: Draft Press Release (for clearance by Press Office)**

PEN PICTURES

**MR FRANK DALY
NAMA CHAIRMAN**



Mr Daly was appointed Chairman of the National Asset Management Agency (NAMA) by Ireland's Minister of Finance in December 2009.

Previous to the NAMA appointment, Mr Daly served as Public Interest Director of the Anglo Irish Bank under the Banks Guarantee Scheme and Chairman of the Commission on Taxation, which was established to review the structure and efficiency of the Irish Taxation System.

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Mr Hanna has over 30 years experience in banking. Prior to joining NAMA, he had worked in a variety of roles at Ulster Bank, Nat West and RBS, most recently as Head of Global Restructuring Group NI for Ulster Bank. He is a graduate of Queen's University Belfast and a Fellow of the Institute of Bankers in Ireland.

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NAMA SENIOR DIVISIONAL MANAGER**



No biography available. However it is believed Mr Milligan had been Deputy Head of Credit & Risk at the National Treasury Management Agency and prior to this had worked in Belfast for 22 years as Senior Credit Manager then as Associate.

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Mr Brian Rowntree was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. Mr Rowntree was appointed as Chairman of the NI Housing Executive in May 2004. He has held a number of previous Public Appointments at Chair and Non Executive Director level in Criminal Justice, Health and Further Education and has chaired corporate governance forums in Northern Ireland and on a Cross Border basis.

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Mr Frank Cushnahan was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. Mr Cushnahan is currently the Chairman of the Northern Ireland Department of Finance and Personnel Ministerial Panel of the Performance and Evaluation Delivery Unit; Chairman of the Audit Committee of the Office of the First and Deputy First minister and Non Executive Board member of the First and Deputy First Minister.

Pen picture unavailable for:

Mr Willie Soffe, NAMA Board and NIAC Member.

Mr Tom Ward, NAMA Board Secretary.

KEY ISSUES, QUESTIONS AND LINES TO TAKE

List of topics

- | | |
|----------------|--|
| Topic 1 | Headline Lines to Take |
| Topic 2 | £2bn Investment to Complete Works |
| Topic 3 | 80/20 Deferred Payment Initiative |
| Topic 4 | Vendor Finance |

TOPIC 1 HEADLINE LINES TO TAKE

Lines to take:

NAMA re-organisation

- How are the new arrangements bedding in following the reorganisation in light of the Geoghegan review?
- As the Agency moves firmly into asset management phase, do you envisage the Northern Ireland Advisory Committee working differently?

Finance Ministers Advisory Group

- I am meeting with Dennis Rooney later this month - had previously welcomed the fact that he has experience in Northern Ireland.
- How is the Finance Minister's Advisory Group interacting with the Agency?

Investment to develop assets

- Welcome the investment NAMA is making to complete construction work in progress and to develop greenfield sites.
- Know that significant lending has been made available to NI debtors for the development of projects. Also appreciate that significant proportion of NI assets relate to undeveloped land. Can you give any indication of ultimately how much of the £2bn investment announced might relate to developing NI assets?
- How is NAMA strategically approaching this and identifying the assets for development. Can we have / when will information be available on NI assets being developed?

Other NAMA initiatives

- Any thoughts on how successful the 80/20 deferred payment initiative might be? Any thinking around extending this or making similar scheme available in Northern Ireland?
- Welcome that you have made vendor finance available in Northern Ireland. Any sense of the potential demand for this?

Background:

1. The Minister of Finance Michael Noonan asked for a review of NAMA and its structures – the Geoghegan Review – that reported in December 2011. It recommended that some different skill sets would be needed at all levels in NAMA to realise its goals.
2. Shortly after the Geoghegan Review, NAMA announced it would implement a new structure which aimed to distribute responsibilities across a senior team. The proposed new structure would include five division heads who would report to CEO Brendan McDonagh. In February 2012, details emerged of internal candidates who were appointed to four of the senior positions. It was announced the agency had named John Mulcahy as head of asset management, Ronnie Hanna as head of asset recovery and Sean O'Faolain as head of strategy and communications. Aideen O'Reilly remained as head of the agency's legal division. The fifth senior executive job, chief financial officer, was filled in June 2012 by another internal candidate, Donal Rooney. Mr Rooney had previously been working for NAMA's portfolio management and asset-recovery divisions.
3. In March 2012, Michael Noonan wrote to you outlining details of his newly set up NAMA Advisory Panel. The panel will report to the Minister and provide advice on the strategy of NAMA, the appointment of directors to NAMA, the remuneration of senior executives and other issues the Minister may seek advice on. The Panel is chaired by Michael Geoghegan (the former HSBC Chief Executive who had recently completed his review of NAMA). The remaining members of the group are Frank Daly (NAMA Chairman) and Denis Rooney (a quantity surveyor and former head of the International Fund for Ireland). Minister Noonan suggested Mr Rooney would be well positioned to provide specific insights regarding the role of NAMA in Northern Ireland.
4. Further background information on the investment that is being made available to develop assets and other NAMA initiatives is provided in Topics

TOPIC 2 £2BN INVESTMENT TO COMPLETE WORKS

Lines to take:

- On 23 May, you (Mr Daly) announced NAMA is proposing to invest at least €2 billion to complete construction work in progress and to develop greenfield sites. Very much welcome this.
- 5% of NAMA's total portfolio is based in Northern Ireland, though know much of this (over two-thirds) is undeveloped land.
- You've said that £29 million of lending has already been made available to NI debtors for the development of projects here. Can you give any indication of the nature / location of these assets?
- Ultimately how much of the £2bn investment announced might relate to developing NI assets? Can we expect much more over and above the lending that has been made available to NI debtors for development of their sites?
- How has NAMA been strategically approaching this and identifying the assets for development?
- Can we have / when will information be available on NI assets being developed?

Background:

1. £3.5bn of NAMA's total portfolio is from loans based in Northern Ireland. The Northern Ireland-based loans acquired by NAMA are held by 180 individual debtors. The loans are secured by property, which is broken down as follows:
 - Undeveloped Land - £2 bn (€2.4 bn)
 - Investment – £1 bn (€1.2 bn)
 - Property and Land Under Development – £350m (€400m)

2. In terms of main locations, 32% of loans are linked to property in Belfast, 19% in the remainder of County Antrim and 10% in Derry (city & county).
3. On 23rd May 2012, NAMA Chair Mr Frank Daly announced the agency proposes to invest €2 billion in Ireland to complete construction work in progress and develop greenfield sites, in anticipation of future supply shortages in some market segments.
4. The investment in Ireland in development capital aims to preserve, enhance and complete commercial and residential projects over the period to 2016. This will include the completion of properties which are currently under development and will develop land in anticipation of future supply shortages.
5. In March 2012, Mr Daly told the Oireachtas Joint Committee on the Implementation of the Good Friday Agreement that NAMA had lent £75 million (€90 million) to Northern Ireland debtors to fund the completion of work in progress and working capital – representing approximately 10% of all funding to debtors that has been approved by the Agency. Of this total, £29 million (€35 million) related to projects in Northern Ireland, with the balance in Britain and the Republic.

TOPIC 3 80/20 DEFERRED PAYMENT INITIATIVE

Lines to take:

- Know that NAMA has launched a pilot 80/20 Deferred Payment initiative.
- Are also concerns around falling property prices in NI and we too have been trying to help stimulate activity in the market by increasing the funding available for our co-ownership scheme.
- Appreciate its still early days, but interested in how successful this is?
- How did you identify the developments covered by the pilot and do you envisage this being extended?
- You have said you were open to introducing a similar initiative in Northern Ireland with your partner banks. Any more thoughts on this?

Background:

1. NAMA has recently launched a Deferred Payment Initiative on a pilot basis. The Initiative aims to provide home buyers with a level of protection against a fall in residential property prices from current levels over the next five years. The initiative is available only to owner-occupiers who wish to buy a new home. The current pilot only includes 115 homes at 12 developments in Dublin, Meath and Cork.
2. The product will protect buyers from decreases of up to 20% in the value of their property over the next five years. 80% of the agreed sale price of the property will be paid over upfront. The remaining 20% will only be due in five years' time. How much, if any, of that 20% is then due will be calculated on the basis of an independent assessment of the property's value at that point.
3. In March 2012, Chairman Frank Daly stated that if the 80/20 initiative was a success in the Republic, NAMA would be very open to seeing if a similar initiative could be introduced in Northern Ireland with their partner banks. Mr Daly went further by indicating that "any initiative" which is available in the Republic will, where possible, be made available and tailored to suit Northern Ireland.

TOPIC 4 VENDOR FINANCE IN NORTHERN IRELAND

Lines to take:

- Welcome that NAMA will be offering vendor finance in Northern Ireland.
- Agree that this could help stimulate activity in the commercial property sector and have a positive impact on investment and jobs in Northern Ireland.
- Any sense of the demand for this finance in Northern Ireland.

Background:

1. Vendor finance is a mechanism to generate sales transactions by providing finance to potential buyers of commercial property. With financial institutions reluctant to underwrite lending to property, NAMA proposes to offer up to 70% vendor debt finance to purchasers of commercial property that is under the control of NAMA debtors or receivers appointed by the Agency.
2. On 8th March 2012, Frank Daly announced that NAMA would be making Vendor finance available in Northern Ireland.
3. On 23rd May 2012, Chairman Frank Daly announced that NAMA expects to lend at least a further €2 billion in the form of vendor finance to acquirers of commercial property. At present, a specific amount for Northern Ireland has yet to be mentioned.

DRAFT PRESS RELEASE

Wilson meets NAMA Chairman in Belfast

Finance Minister, Sammy Wilson has acknowledged the significant finance lending being made available by the National Assets Management Agency (NAMA) to Northern Ireland debtors for the development of projects.

The Minister was speaking following a meeting he had with NAMA Chairman, Frank Daly and senior officials including members of NAMA's Northern Ireland Advisory Committee. The purpose of the meeting was to hear about the progress of the agency and its strategy in relation to its work in Northern Ireland.

Sammy Wilson said: **"I was pleased that NAMA is making significant finance available to develop some of the assets it currently holds in Northern Ireland and to hear about the investment its making to complete construction work already in progress and in particular Greenfield sites.**

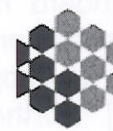
"This was a very useful meeting with NAMA. This body holds significant assets in Northern Ireland and it is vital that these are managed very carefully - a point I was keen to stress again today.

"Issues discussed included NAMA's overall strategy, the 80/20 Deferred Payment initiative – a pilot initiative recently launched by NAMA and vendor finance in Northern Ireland.

The Minister concluded: **"The work of NAMA, given the scale of the assets held in Northern Ireland is going to very important for some years to come and the NAMA Chairman and I agreed to continue to maintain our close contact on this."**

Notes to Editors:

1. NAMA is the Republic of Ireland's National Asset Management Agency. Chaired by Frank Daly, NAMA was established in December 2009 to obtain the best achievable financial return for the State on loan assets acquired by it. It was part of a range of measures by the Irish Government designed to safeguard the viability of a number of systematically important financial institutions.
2. Media enquiries only to DFP Communications Office on 028 9052 7278 or 028 9052 27375. Out of office hours please contact the Duty Press Officer via pager number 07699 715 440 and your call will be returned.



**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68006**

DATE: 20 MARCH 2012

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

GM/171/2012: NAMA – MICHAEL NOONAN TD

Issue:	You have received correspondence from Irish Minister for Finance Michael Noonan TD regarding the group he has set up to advise him on NAMA.
Timing:	Routine.
Need for Referral to the Executive	Not Applicable.
Presentational Issues:	None.
Freedom of Information:	None.
Financial Implications:	None.
Legislation Implications:	None.
Statutory Equality Obligations:	None.
Recommendations:	That you: (a) Note this background brief and issue the draft reply (attached separately) to Michael Noonan TD.

Background

1. You have received a letter from Irish Minister for Finance, Michael Noonan TD outlining the group he is appointing to advise him on NAMA. The new group is being established to reflect the fact that NAMA has moved to the Asset Management phase of its work. Mr Noonan's letter advises you that this group will include Mr Denis Rooney who has a Northern Ireland background. In particular, he is an

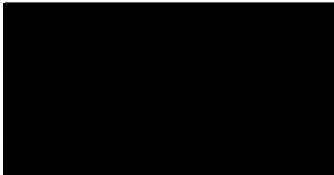
SIB board member and a former member of the Bank of England Advisory Committee for Northern Ireland He has also held a number of other key appointments including Chairman of the Institute of Directors [IOD] Northern Ireland and Chairman of the Royal Institution of Chartered Surveyors [RICS] Northern Ireland. He also chairs the charitable trust which is currently restoring the SS Nomadic.

Advice

2. It is suggested that you reply thanking Minister Noonan for his letter. While welcoming the appointment of Mr Rooney it is also suggested that you use this as an opportunity to press again for a full Northern Ireland NAMA Board member and suggest that another bil-lateral be arranged at the margins of the next NSMC Plenary. A draft response to this effect is attached separately.

Recommendation

3. It is recommended that you note this background brief and issue the draft reply (attached separately) to Minister Noonan TD.



BILL PAULEY

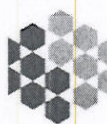
Copy Distribution List

Stephen Peover
Richard Pengelly
Tony Simpson
Michelle Adams
Patrick McKeown

Attached separately:

- 1. Draft Reply to Michael Noonan TD**

From the Office of the
Minister for Finance & Personnel



Department of
**Finance and
Personnel**

www.dfpni.gov.uk

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Telephone: 028 90163371

Email: private.office@dfpni.gov.uk

Your reference:

Our reference: GM/171/2012

Mr Michael Noonan TD
Minister of Finance
Government Buildings
Upper Merrion Street
Dublin 2
Ireland

26 March 2012

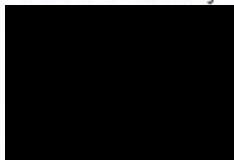
Dear Michael

Thank you for your letter outlining the formation of the new group to advise you on NAMA and that this new group will include Mr Denis Rooney.

I am pleased at the appointment of Mr Rooney given his experience in Northern Ireland and the insights he will be able to provide you in that regard. This is helpful and appreciated as the work of NAMA moves into its asset management phase where the potential impacts on the Northern Ireland property market could be very significant. In that context I would remain keen to see a full NAMA Board Member with a Northern Ireland background who could represent our interests at the highest level in the Agency's decision making.

I look forward to discussing these and other issues of mutual interest when we meet at the next NSMC plenary meeting later in the year. I suggest that we arrange another bi-lateral in the margins of that meeting and will ask my Diary Secretary to liaise with your office closer to the time.

Yours sincerely



SAMMY WILSON MP MLA

Note of meeting with NAMA representatives on Friday, 16 December 2011
[INV/1306/2011]

In attendance: Sammy Wilson, Richard Pengelly, Frank Daly, Brian Rowntree, Ronnie Hanna, Frank Cushnahan, Jonathan Milligan

Mr Daly gave an update on the NI Advisory Council. He advised that 5 meetings had taken place during the year and there had been 15 enforcements in NI.

He advised that Minister Noonin had set up a review group that reported to him.

Following discussion about the NI elected representatives contact for information on Nama the Minister agreed to remind MLAs of the contact details through AQs etc.

Brian Rowntree advised that there are currently 43,000 people on the housing waiting list, with the majority for single dwellers. Nama will produce a report in April showing hotspots.

Siobhan Tweedie

PS/Sammy Wilson



Department of

**Finance and
Personnel**

www.dfpni.gov.uk

**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 21 JUNE 2011

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

**INV/1028/2011: MEETING WITH PETER STEWART, FRANK CUSHNAHAN
AND BRIAN ROWNTREE RE NAMA**

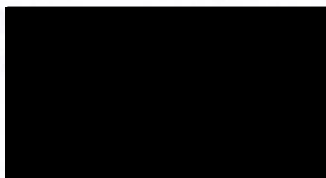
Issue:	You have agreed to meet with Peter Stewart, Frank Cushnahan and Brian Rowntree to discuss NAMA.
Timing:	The meeting has been arranged for 6:00pm on Monday 27 June 2011 in Parliament Buildings.
Need for Referral to the Executive	Not Applicable.
Presentational Issues:	None.
Freedom of Information:	None.
Financial Implications:	None.
Legislation Implications:	None.
Statutory Equality Obligations:	None.
Recommendations:	That you: (a) Note this background and other briefing material in advance of the meeting.

Background

1. You have agreed to meet with NAMA representatives on Monday 27 June 2011 at 6:00pm – 6.30pm in Room 128, Parliament Buildings. The meeting will be attended by Peter Stewart (NAMA Board Member and Chairman of NAMA's NI Advisory Committee), Frank Cushnahan (Member of NAMA's NI Advisory Committee) and Brian Rowntree (Member of NAMA's NI Advisory Committee).
2. There is no formal agenda for the meeting. Its purpose is to follow up on previous discussions with NAMA. The most recent meeting was on Monday 7 March 2011 when you met NAMA representatives with the First and deputy First Ministers. More recently, on 10 June 2011, you discussed a number of NAMA issues with Ministers Noonan and Howlin. Possible issues for discussion are at Annex C.

Recommendation

3. It is recommended that you note this background and other briefing material in advance of the meeting.



BILL PAULEY

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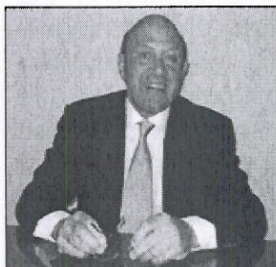
Stephen Peover
Richard Pengelly
Tony Simpson
Michelle McGoldrick
William Dickson
Patrick McKeown

LIST OF ANNEXES

Annex A: Pen Pictures
Annex B: NAMA Recent Background
Annex C: Possible Issues For Discussion

PEN PICTURES

**MR PETER STEWART
NAMA DIRECTOR AND CHAIRMAN OF THE NAMA NORTHERN IRELAND
ADVISORY COMMITTEE**



Mr Peter Stewart was educated at Drogheda Grammar School & Trinity College Dublin. He received his training as a chartered accountant with SKC (now KPMG). After spending five years abroad with a multinational agri-industry group, he returned to Ireland and took up the position of CFO of a Top 100 Irish Company engaged in energy trading and with substantial overseas interests.

In 1988 he set up his own financial consultancy company and subsequently O'Donovan Stewart (Chartered Accountants) as well as other niche financial advisory and management services providers. He has served as a Director of a broad range of companies and his experience gives him a detailed knowledge and understanding of the various aspects of financial management.

Mr Stewart is a Fellow of the Institute of Chartered Accountants in Ireland and a Member of the Irish Association of Corporate Treasurers.

**MR BRIAN ROWNTREE
MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE**



Mr Frank Cushnahan was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. Mr Brian Rowntree was appointed as Chairman of the NI Housing Executive in May 2004. He has held a number of previous Public Appointments at Chair and Non Executive Director level in Criminal Justice, Health and Further Education and has chaired corporate governance forums in Northern Ireland and on a Cross Border basis.

He is immediate past Vice-President of Cecodhas – European Social Housing Forum. Mr Rowntree is a Non-Executive Board Member of Co-Operation Ireland, Secretary to the Chair's Forum Northern Ireland and a Management Board Member of the Association for Criminal Justice Research and Development. Mr Rowntree has an executive background in taxation, finance, management development and strategic planning. He was awarded the CBE in June 2004 for services to criminal justice and was awarded Honorary Membership of the Chartered Institute of Housing in 2008.

MR FRANK CUSHNAHAN**MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE**

Mr Frank Cushnahan was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. Mr Cushnahan is currently the Chairman of the Northern Ireland Department of Finance and Personnel Ministerial Panel of the Performance and Evaluation Delivery Unit; Chairman of the Audit Committee of the Office of the First and Deputy First Minister and Non Executive Board member of the First and Deputy First Minister.

A banker by profession, Mr Cushnahan has undertaken a number of major financial and reforming projects for government. He has held many Non-Executive and Executive Board positions, over a number of years, within both public and private sectors, most recently as Chairman of Belfast Harbour Commissioners. He is a Member of the Office of the First Minister and Deputy First Minister (Chairman of the Audit Committee).

NAMA: Recent Background

1. The conditions of the recent EU / IMF (and bilateral) loans packages for Ireland included provision for the work of NAMA to continue. Up to an extra €16bn of loans could be acquired by the agency. The new Irish Government later decided that this should not go ahead.
2. NAMA has now completed the review of the business plans for the top 30 developers (who have had a combined €27 billion transferred to the agency). Between March and December 2010, NAMA approved the sale of €1.6 billion in property assets held by borrowers.
3. There have been concerns/accusations that NAMA was beginning to take a more stringent approach towards assets related to borrowers, including in situations where the loans were still performing and where related companies were still trading in order to service the loans. The DFP Minister raised this particular issue with the Minister of Finance on 13 January and he agreed to investigate. However, on giving the opening statement to the Irish Committee on Public Accounts on 18th November 2010, NAMA Chief Executive Brendan McDonagh stated, *"Borrowers who continue to meet their contractual obligations have nothing to fear from us..."*
4. On 23rd February Mr Ronnie Hanna (NAMA's Head of Credit and Risk) gave a speech at the Northern Ireland Housing Sector Conference in Belfast. Mr Hanna outlined some details on NAMA's approach in Northern Ireland, including the following:
 - a. NAMA will assist in the stabilisation of the property market in Northern Ireland by providing liquidity and being able to take a longer term approach where necessary.
 - b. NAMA's timeframe is to manage and realise loans (and the property held as collateral) over a 7 to 10 year time period.
 - c. NAMA will work with debtors where it makes commercial sense, but will expect full co-operation and full disclosure from debtors.
 - d. NAMA has acquired £3.35 million (nominal value) worth of NI-based loans from a total of 180 debtors. This figure represents 5% of NAMA's total portfolio.
 - e. Of the NI portfolio, £2 billion is undeveloped land, £1 billion is in investment properties and £350 million is property & land under development.
 - f. Regarding the geographical location of the NI portfolio; just under one-third is located in Belfast, 21% is in County Down, 19% in County Antrim, 8% in County Londonderry, 7% in County Tyrone, 7% in County Armagh, 4% in County Fermanagh and 2% in the city of Derry.

5. At a hearing in London's High Court, which began on 8th March 2011, the Carey Group was attempting to prevent NAMA acquiring its loans and had sought an injunction on the grounds that NAMA's acquisition would breach an existing loan agreement and was an unlawful intrusion by a foreign power in the affairs of a UK business. The Judge ruled in favour of NAMA, and this decision is likely to deter other NAMA objectors from pursuing their cases in the UK Courts.
6. On 9th March 2011, it was reported in local papers that NAMA had entered negotiations to sell a landmark London property which could net the agency £150 in profit. A consortium has reportedly agreed to pay off the entire £300m loan now controlled by NAMA on a prime block next to the US embassy in Grosvenor Square. As NAMA acquired the loan at an estimated 50% discount (circa £150m), it is due to make a large profit on this holding.
7. On 12th April 2011, Ireland's Supreme Court has ruled that the legislation governing NAMA is constitutional. Mr Frank Daly, NAMA Chairman, described this ruling as an important confirmation of the legal standing of NAMA and eliminates any uncertainty in this area.
8. On 14th June, NAMA Chairman Frank Daly confirmed that NAMA had reviewed the business plans for 40 debtors totalling over 32bn. In other news Mr Daly announced NAMA has approved €3.3bn worth of sales, reduced its debt by €1bn over the past year and released a total of €810m of working capital to viable developments to ensure completion.

POSSIBLE ISSUES FOR DISCUSSION

Operation of NAMA NI Advisory Committee

1. Interested to hear how NI Advisory Committee is performing. Important that it considers issues early in their development.
2. Did mention to Minister Noonan recently that we had first hoped to have a NI representative on NAMA Board and asked him to consider this again.
3. Any emerging issues that should be aware of in relation to Northern Ireland?

Trading Companies in NAMA and Access to Working Capital

4. Raised this particular issue with you in January and again in March. Any developments in how it is handled?
5. Concerned not to lose the economic activity and that ability of some to service loans would be diminished.
6. When discussed recently with Minister Noonan he mentioned that were instances of this when banks still leading on the management of the loan / assets. A need for cultural change?

Information for Public Representatives on Progress / Handling of Cases

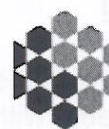
7. At recent meeting Minister Noonan mentioned his recent agreement with the NAMA Chair that the NAMA Press Office would put arrangements in place for public representatives to obtain information on progress with NAMA work. He offered to extend these to Northern Ireland. Keen to have this in place asap and to announce. What needs to be done here?

Planned Asset Sales

8. When discussing need for careful asset management with Minister Noonan he indicated that were currently putting together an indication of planned asset sales for the September to December period? Is this available yet? How is Northern Ireland impacted by this?

Statement of Affairs

9. Some NI borrowers did indicate to me that they would not be completing a Statement of Affairs for submission with their Business Plans? Has this been a common issue?



**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 1 MARCH 2011

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

INV/86/2011: MEETING WITH FMDFM AND NAMA REPRESENTATIVES

Issue: You have agreed to meet with representatives from NAMA along with the First Minister and deputy First minister.

Timing: The meeting has been arranged for Monday 7th March 2011 at 4:00pm in Parliament Buildings.

Need for Referral to the Executive Not Applicable.

Presentational Issues: None.

Freedom of Information: None.

Financial Implications: None.

Legislation Implications: None.

Statutory Equality Obligations: None.

Recommendations: That you:
(a) Note this background and other briefing material in advance of the meeting.

Background

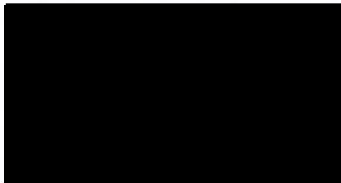
1. Along with the First Minister and deputy First Minister, you have agreed to meet with representatives from NAMA. A meeting has been arranged for Monday 7th March 2011 at 4.00pm at dFM's office in Parliament Buildings.
2. This meeting was arranged in the margins of discussions at the last NSMC in January 2011. The purpose of this meeting will be to discuss the treatment of Northern Ireland assets by the agency.

Advice

3. The event will present you with the opportunity to discuss NAMA's plans for assets based in Northern Ireland. You may also wish to press the NAMA representatives on additional issues such as the lack of information we have received, the potential value of additional NI-based sub €20m land & development loans which could be acquired by NAMA as a result of the EU/IMF assistance, NAMA's view on its potential impact on the Northern Ireland property market etc.
4. Key Issues and Lines to take are attached at Annex A for information.

Recommendation

4. It is recommended that you note this background and other briefing material in advance of the meeting.



BILL PAULEY

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Tony Simpson
Michelle McGoldrick
Patrick McKeown**

LIST OF ANNEXES

Annex A: Key Issues and Lines to Take

KEY ISSUES AND LINES TO TAKE

TOPIC 1 NAMA

TOPIC 2 POTENTIAL IMPLICATIONS OF ROI BAILOUT ON LOCAL BANKS

TOPIC 1: NAMA

Lines to take:

Introduction

- Thank you for coming to Belfast. Want to get an understanding of how NAMA will manage Northern Ireland Based assets (including in particular circumstances when companies that are trading are involved), the role of the Northern Ireland Advisory Group, and to confirm the value of loans based on NI assets that NAMA expects to assume responsibility for.
- I have previously met with NAMA representatives (last August). More recently, I discussed NAMA when I last met with Brian Lenihan on 13th January. This meeting arose out of an NSMC plenary discussion with Brian Cowan.

Avoid Firesale

- I was always reassured by Minister Lenihan that need to avoid a "firesale" of NI-based assets and that this was not in anyone's interest. Always worth reiterating this.
- At last August's meeting (with NI Advisory Committee) it was agreed that it would be helpful to have a degree of coordination on efforts to realise assets. Hope that this commitment can continue and would welcome your view on when some first practical steps on this might be taken and how it should happen. Through the NI Advisory Panel?

Role of NI Advisory Committee

- Important for us that the Northern Ireland Members on the NAMA Advisory Committee be involved in decision making at the earliest possible stage. Minister Lenihan gave us this commitment. How do you see that working? Is it operating well?

Concerns for Trading Companies

- I have been told of examples where concerns existed that NAMA could be taking a more stringent approach towards the disposal of assets owned by debtors. I asked Brian Lenihan to clarify a number of issues relating to the management of loans in NAMA, particularly when loans are still performing and companies trading. Is it possible that in such situations the trading company's operations could be jeopardised and the ability to service the loan lost? This would be a big concern for us.

Value NAMA NI Assets

- We still have very little information on the Northern Ireland assets held by NAMA. Mr Ronnie Hanna, speaking at Northern Ireland Housing Sector Conference in Belfast on 23rd February, outlined the geographical location of the Northern Ireland portfolio.

- Now that all the original loans have been acquired, understand there is an estimated £3.35bn of Northern Ireland-based loans has been taken over by NAMA.
- Also that NAMA has been asked to acquire a further €16 billion of loans by the IMF / EU. We understand these loans will be sub €20m Land & Development loans of AIB and BOI. We would like confirmation on the value of these loans located in Northern Ireland as soon as possible.

Background:

1. The Finance Minister discussed a number of banking issues with Brian Lenihan at the last bi-lateral meeting on the 13th January 2011. The Finance Minister raised concerns regarding NAMA, including the impact of the loans management process, the approach taken by NAMA with regards to assets and the need to avoid a 'firesale' in Northern Ireland.
2. The conditions of the recent EU / IMF (and bilateral) loans packages for Ireland included provision for the work of NAMA to continue. Up to an extra €16bn of loans could be acquired by the agency.
3. By the end of the initial acquisition process, there should be around €4 billion (£3.35 billion) of NI-based loans held by NAMA.
4. NAMA has now completed the acquisition of the original 11,000 loans from 850 debtors with a nominal value of some €71.2 billion. NAMA paid a consideration of €30.2 billion for these loans (a discount of 58%). These figures do not count the additional (up to) €16 billion (nominal value) of loans as requested by the IMF/EU, of which there is likely to be further NI-based loans acquired by the agency.
5. The Finance Minister has sought further information on the finer details of NI-based loans and businesses affected. However, we believe this information is being treated as confidential.
6. NAMA has now completed the review of the business plans for the top 30 developers (who have had a combined €27 billion transferred to the agency). Between March and December 2010, NAMA approved the sale of €1.6 billion in property assets held by borrowers.
7. Regarding NAMA's profitability, accounts for Q2 2010 suggest a €6 million profit was made during the quarter. The July 2010 Business Plan predicted a long term profit for the Irish taxpayer of €1 billion.
8. There have been concerns/accusations that NAMA was beginning to take a more stringent approach towards assets related to borrowers, including in situations where the loans were still performing and where related companies were still trading in order to service the loans. The DFP Minister raised this particular issue with the Minister of Finance on

13 January and he agreed to investigate. However, on giving the opening statement to the Irish Committee on Public Accounts on 18th November 2010, NAMA Chief Executive Brendan McDonagh stated, *"Borrowers who continue to meet their contractual obligations have nothing to fear from us..."*

9. On 17th February NAMA announced three significant developments:
 - a. The NAMA Board has agreed to repay €250 million of Senior Securities (NAMA bonds) in the coming weeks. This is the first such payment and comes ahead of schedule.
 - b. The NAMA Board authorised the repayment of €49 million to the RoI Minister for Finance. The loan was originally used to set up the special purpose vehicle. This repayment also comes ahead of schedule.
 - c. NAMA had completed its first major deal with the sale of a Montevetro office building in Dublin to Google. NAMA have confirmed that it recovered in excess of the combined amount for its outlay on the project.
10. On 23rd February Mr Ronnie Hanna (NAMA's Head of Credit and Risk) gave a speech at the Northern Ireland Housing Sector Conference in Belfast. Mr Hanna outlined some details on NAMA's approach in Northern Ireland, including the following:
 - a. NAMA will assist in the stabilisation of the property market in Northern Ireland by providing liquidity and being able to take a longer term approach where necessary.
 - b. NAMA's timeframe is to manage and realise loans (and the property held as collateral) over a 7 to 10 year time period.
 - c. NAMA will work with debtors where it makes commercial sense, but will expect full co-operation and full disclosure from debtors.
 - d. NAMA has acquired £3.35 million (nominal value) worth of NI-based loans from a total of 180 debtors. This figure represents 5% of NAMA's total portfolio.
 - e. Of the NI portfolio, £2 billion is undeveloped land, £1 billion is in investment properties and £350 million is property & land under development.
 - f. Regarding the geographical location of the NI portfolio; just under one-third is located in Belfast, 21% is in County Down, 19% in County Antrim, 8% in County Londonderry, 7% in County Tyrone, 7% in County Armagh, 4% in County Fermanagh and 2% in the city of Derry.



**FROM: BILL PAULEY
STRATEGIC POLICY DIVISION
Ext. 68001**

DATE: 10 JANUARY 2011

Copy Distribution List Below:

TO: SAMMY WILSON MP MLA

INV/449/2010 BILATERAL MEETING

Issue:	Ministerial Bi-lateral with Minister Lenihan.
Timing:	The bi-lateral is scheduled for 11.30am, Thursday 13th January in Parliament Buildings
Need for Referral to the Executive	Not Applicable.
Presentational Issues:	None.
Freedom of Information:	None.
Financial Implications:	None.
Legislation Implications:	None.
Statutory Equality Obligations:	None.
Recommendations:	That the Minister notes this background brief and attached material in advance of the meeting.

Background

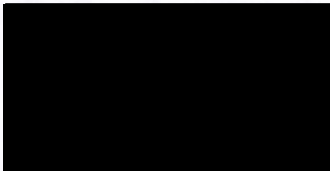
1. You are meeting Minister Lenihan bi-laterally on Thursday 13th January 2011 at 11.30am in Parliament Buildings. This meeting is immediately prior to your North South Ministerial Council (NSMC) Special EU Programmes Sectoral Format meeting. The meeting will be over a working sandwich lunch.

Advice

2. An outline Agenda has been discussed with DoF officials. The key issues are those on banking and NAMA. The other issues follow up previous discussions or recent correspondence. Key issues and Lines to Take on each of the topics are attached at Annex A.

Recommendation

4. It is recommended that you note this background brief and attached material in advance of the meeting.



BILL PAULEY

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**Stephen Peover
Richard Pengelly
Tony Simpson
Michelle McGoldrick
Christine Gilmore
Patrick McKeown**

LIST OF ANNEXES

ANNEX A: Outline Agenda and Lines to Take

OUTLINE AGENDA AND LINES TO TAKE:

ITEM 1: CURRENT NORTH SOUTH BANKING ISSUES

ITEM 2: NAMA

**ITEM 3: POSSIBLE SAVINGS THROUGH MUTUALLY BENEFICIAL
CO-OPERATION**

ITEM 4: A5 WESTERN TRANSPORT CORRIDOR

ITEM 5: NORTH SOUTH BODY ISSUES

- **Efficiency Savings North South Bodies**
- **Irish Governments 2011 Budget Allocations Issues
North South Bodies**
- **North South Bodies 2011-13 Corporate and 2011
Business Plans**

ITEM 2: NAMA

Lines to take:

- Know from the published position that work of NAMA is to continue.
- I met the NI Advisory committee but back in August 2010. Hope to arrange a further meeting soon. Had agreed then that we would share information on assets held and disposal plans. But we still have very little information on the Northern Ireland assets held by NAMA. Now that all the original loans have been acquired, will it be possible to get some detail on these?
- You previously assured me that there would not be a “firesale” of Northern Ireland based assets. Clearly the financial situation has deteriorated. Can you provide continued assurance that this won’t increase pressure to dispose of the original assets more quickly?
- There has been some criticism that NAMA might be taking a more stringent approach towards disposing of assets owned by debtors. The Chief Executive has refuted this. Have you received similar representations, or do you have any views?

Background:

1. The conditions of the recent EU / IMF (and bilateral) loans packages for Ireland included provision for the work of NAMA to continue.
2. €360m worth of loans based in Northern Ireland were transferred to NAMA during Tranche 2 acquisitions. By the end of the acquisition process, there should be around €4 billion (£3.35 billion) of NI-based loans held by NAMA.
3. Information on businesses whose loans have transferred to NAMA is considered confidential so we are still unsure of the local impact.
4. NAMA has now completed the acquisition of the original 11,000 loans from 850 debtors with a nominal value of some €71.2 billion. NAMA paid a consideration of €30.2 billion for these loans (a discount of

58%). NAMA is in the process of finalising the acquisition of up to a further €16 billion (nominal value) of loans as requested by the IMF/EU.

5. NAMA has now completed the review of the business plans for the top 30 developers (who have had a combined €27 billion transferred to the agency). Between March and December 2010, NAMA approved the sale of €1.6 billion in property assets held by borrowers.
6. Regarding NAMA's profitability, accounts for Q2 2010 suggest a €6 million profit was made during the quarter. The July 2010 Business Plan predicted a long term profit for the Irish taxpayer of €1 billion.
7. There have been concerns/accusations that NAMA was beginning to take a more stringent approach towards assets related to borrowers. However, on giving the opening statement to the Irish Committee on Public Accounts on 18th November 2010, NAMA Chief Executive Brendan McDonagh stated, *"Borrowers who continue to meet their contractual obligations have nothing to fear from us..."*

Central Finance Group SPD

Room S17 Rathgael House
Balloo Road, Bangor BT19 7NA

Tel No: 02891 858001 (68001)
Fax No: 02891 858262 (68262)
email: bill.pauley@dfpni.gov.uk



FROM: BILL PAULEY

Copy Distribution List Below

DATE: 18 AUGUST 2010

**TO: 1. GRAHAM CRAIG
2. SAMMY WILSON MP MLA**

INV/220/2010: LUNCH MEETING WITH NAMA NI ADVISORY BOARD

Issue: The Minister is hosting a lunch meeting with the (NAMA) members of Northern Ireland Advisory Board.

Timing: The event will take place on Monday 23rd August 2010 at 12:30pm in Parliament Buildings.

Need for referral to the Executive: Not applicable.

Presentational Issues: The NAMA issue continues to attract considerable media attention.

Freedom of Information: Any FOI request would be considered in the context of the relevant provisions of the legislation including any exemptions.

Financial Implications: Not applicable.

Legislation Implications: Not applicable.

Statutory Equality Obligations: Not applicable.

Recommendation: That the Minister notes this background brief and attached material in advance of the event.

Background

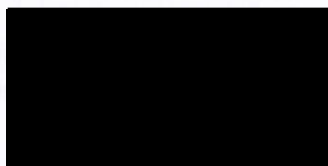
1. The Minister is hosting a lunch with Mr Peter Stewart (NAMA Director and Chairman of the NAMA Northern Ireland Advisory Committee) on Monday 23 August at 12.30pm in Parliament Buildings. Members of the NAMA Northern Ireland Advisory Committee have been invited and the event will also be attended by Mr Frank Daly (Chairman of the NAMA Board).
2. NAMA announced the appointment of Mr Brian Rowntree and Mr Frank Cushnahan as members of the NAMA Northern Ireland Advisory Committee in May 2010. Mr Rowntree and Mr Cushnahan will assist NAMA with their particular expertise and insight with respect to Northern Irish based assets. The remaining members of the committee include: Peter Stewart (Chair), Brian McEnery, Eilish Finan and Ronnie Hanna (NAMA's Head of Credit & Risk).
3. Pen Pictures for the above attendees are available at Annex A for information.

Advice

4. This lunch will provide an opportunity for the Minister to engage directly with senior NAMA officials. Therefore Annex B provides a summary of the key issues relating to NAMA and background information on supporting issues which could possibly be raised in general discussion at the lunch. Officials will also verbally update the Minister on any further NAMA developments at the pre-brief arranged for 12 noon on the same day.

Recommendation

5. That the Minister notes this background brief and attached material in advance of the lunch.



BILL PAULEY

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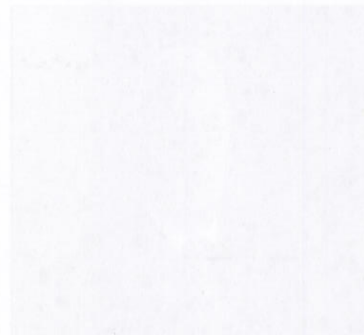
**Stephen Peover
Richard Pengelly
Tony Slmpson
Michelle McGoldrick
Patrick McKeown
Siobhan Tweedy**

LIST OF ANNEXES

Annex A – Pen Pictures of Key Attendees

Annex B - Key Issues

Mr Frank Daly was appointed Chairman of the National Asset Management Agency (NAMA) by the Minister of Finance on 1st December 2008. Prior to that Mr Daly had been nominated by the Minister of Finance to the Board of Public Interest Directors under the Banks (Guarantee Scheme) and was appointed a Director of Anglo Irish Bank in December 2008. Mr Daly resigned from that role on 1st December 2008, the day of his new appointment to NAMA.



Previously in March 2007, Mr Daly was appointed Chairman of the Commission on Taxation which was set up to review the structure and efficiency of the Irish Taxation System, which reported in September 2007. Mr Daly retired as Chairman of the Revenue Commissioners in March 2008, having been Chairman since 2001.

Mr Daly is a graduate of University College Dublin and Dublin Institute of Technology. He holds a Bachelor Degree and a Diploma in European Community Law.

PETER STEWART, NAMA DIRECTOR AND CHAIRMAN OF THE NORTHERN IRELAND ADVISORY COMMITTEE

Mr Peter Stewart was educated at Trinity College Dublin and received his training as a chartered accountant with BDO (now KPMG). After spending two years abroad with a multinational consultancy firm, he returned to Ireland and took up the position of CFO of a Top 100 Irish Company engaged in energy trading and with substantial overseas interests.



In 1998 he set up his own financial consultancy company and subsequently O'Donovan Stewart (Chartered Accountants) as well as other niche financial advisory and management service providers.

Mr Stewart is a Fellow of the Institute of Chartered Accountants in Ireland and a Member of the Irish Association of Corporate Treasurers.

PEN PICTURES OF KEY ATTENDEES

FRANK DALY, CHAIRMAN, NAMA BOARD

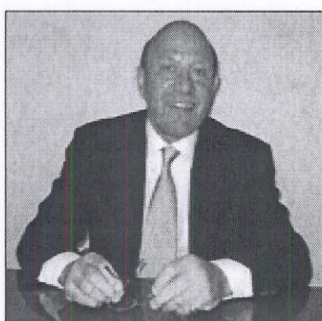


Mr Frank Daly was appointed Chairman of the National Asset Management Agency (NAMA) by the Minister of Finance on 21st December 2009. Prior to that Mr Daly had been nominated by the Minister of Finance to the panel of Public Interest Directors under the Banks Guarantee Scheme and was appointed a Director of Anglo Irish Bank in December 2008. Mr Daly resigned from this post on 21st December 2009, the day of his new appointment to NAMA.

Previously (in March 2008) Mr Daly was appointed Chairman of the Commission on Taxation which was set up to review the structure and efficiency of the Irish Taxation System, which reported in September 2009. Mr Daly retired as Chairman of the Revenue Commissioners in March 2008 having been Chairman since 2002.

Mr Daly is a graduate of University College, Dublin and Dublin Institute of Technology. He holds a BComm Degree and a Diploma in European Community Law.

PETER STEWART, NAMA DIRECTOR AND CHAIRMAN OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE



Mr Peter Stewart was educated at Trinity College Dublin and received his training as a chartered accountant with SKC (now KPMG). After spending five years abroad with a multinational agri-industry group, he returned to Ireland and took up the position of CFO of a Top 100 Irish Company engaged in energy trading and with substantial overseas interests.

In 1988 he set up his own financial consultancy company and subsequently O'Donovan Stewart (Chartered Accountants) as well as other niche financial advisory and management services providers.

Mr Stewart is a Fellow of the Institute of Chartered Accountants in Ireland and a Member of the Irish Association of Corporate Treasurers.

**BRIAN MCENERY, NAMA DIRECTOR AND MEMBER OF THE NAMA
NORTHERN IRELAND ADVISORY COMMITTEE**



Mr McEnery is a senior partner and leads the National Insolvency Unit of Horwath Bastow Charleton in Dublin. Mr McEnery regularly lectures on business rescue for professional accounting associations as well as at seminars and conferences.

Mr McEnery is a former Irish President of ACCA (Association of Chartered Certified Accountants) and an elected member of the ACCA's global Council. He is also a member of the London Court of Arbitration, a member of the Turnaround Management Association, a member of the Consultative Committee of Accounting Bodies - Ireland (Insolvency) Committee and a member of the Institute for Turnaround.

**RONNIE HANNA, HEAD OF CREDIT RISK NAMA AND MEMBER OF THE
NAMA NORTHERN IRELAND ADVISORY COMMITTEE**



In February 2010, former Ulster Bank executive Mr Hanna was named as NAMA's new Head of Credit and Risk. Mr Hanna has worked with Ulster Bank in a variety of roles since 1980. Most recently he held the role of Head of Global Restructuring Group NI and prior to that Head of Credit Risk NI within Ulster Bank. He is a graduate of Queen's University Belfast and a Fellow of the Institute of Bankers.

**EILISH FINAN, NAMA DIRECTOR AND MEMBER OF THE NAMA
NORTHERN IRELAND ADVISORY COMMITTEE**

Eilish Finan is an independent consultant and former Chief Financial Officer for AIG Global Investment in Ireland. Previously, Ms. Finan worked as an accountant in private practice with KPMG. Ms Finan holds an Electronic Engineering Degree from Trinity College and is also a qualified accountant. Ms Finan is a fellow of the Institute of Chartered Accountants in Ireland.

FRANK CUSHNAHAN, MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE



Mr Cushnahan was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. Mr Cushnahan is currently the Chairman of DFP's Ministerial Panel of the Performance and Evaluation Delivery Unit; Chairman of the OFMDFM Audit Committee and a Non Executive OFMDFM Board member.

A banker by profession, Mr Cushnahan has undertaken a number of major financial and reforming projects for government. He has held many Non-Executive and Executive Board positions, over a number of years, within both public and private sectors, most recently as Chairman of Belfast Harbour Commissioners.

BRIAN ROWNTREE, MEMBER OF THE NAMA NORTHERN IRELAND ADVISORY COMMITTEE



Mr Rowntree was confirmed as a member of the NAMA Northern Ireland Advisory Committee on 13th May 2010. He was appointed as Chairman of the NI Housing Executive in May 2004. He has also held a number of previous Public Appointments at Chair and Non Executive Director level in Criminal Justice, Health and Further Education and has chaired corporate governance forums in Northern Ireland and on a Cross Border basis.

He is immediate past Vice-President of Cecodhas – European Social Housing Forum. Mr Rowntree is a Non-Executive Board Member of Co-Operation Ireland, Secretary to the Chair's Forum Northern Ireland and a Management Board Member of the Association for Criminal Justice Research and Development. Mr Rowntree has an executive background in taxation, finance, management development and strategic planning. He was awarded the CBE in June 2004 for services to criminal justice and was awarded Honorary Membership of the Chartered Institute of Housing in 2008.

KEY ISSUES

Topic 1 NAMA

Topic 2 Implications of NAMA for Northern Ireland – Concerns Highlighted by the Business Alliance

Supporting Issues

Topic 3 Institute of Directors Banking and Lending Survey

Topic 4 Bank Lending

Topic 5 Recent Profit/Loss Statements from Local Banks

TOPIC 1: NAMA

Lines to Take:

General

- Am very keen to have an update on the work of NAMA and particularly the Northern Ireland Committee.
- Still a matter of much media attention. But more importantly a strategic issue in terms of its impact on banks ability to lend, and potentially on local property market.
- The recent round of banking results would suggest that locally based banks are still in some difficulty. We are struggling to get good data on their lending.
- Am continuing to liaise closely with Brian Lenihan. Most recent meeting was at and in the margins of the NSMC Plenary meeting on 5 July.

NAMA Tranche 2 (19 July 2010)

- Know that Tranche 2 was announced in mid July and is still not complete. Also that it was delayed compared to original plans.
- Interested to know if there have been any loans secured on NI assets? How has NI Committee been involved here?
- Do you still anticipate that NAMA will finish its work by next February?

European Commission Approval (3 August 2010)

- Always good to get this. Represents EU agreement that NAMA represents an appropriate means of remedying a serious disturbance in the Irish economy.

NAMA Business Plan Revised (6 July 2010)

- Know you have published a revised Business Plan in July expecting a long-term profit for taxpayer of €1 billion and an overall discount of around 50%.
- Notable reduction in the percentage of loans which are income producing compared to expectations.
- Some very strong comments from you about the truthfulness of the Banks and also on their work to make use of the full range of legal options. Any implications of this?

Background:

Meetings with Minister Lenihan

1. The latest ministerial meeting took place on 17 February 2010 in Dublin. At this meeting Minister Lenihan confirmed the establishment of the Northern Ireland Advisory Committee. A detailed discussion of the possible implications for Northern Ireland businesses caught up in the NAMA process also took place.

Participating Institutions and Geographical Spread

2. On 30th March 2010, the NAMA website confirmed the participating institutions: Allied Irish Banks (€23bn), Anglo Irish bank (€36bn), Bank of Ireland (€12bn), Irish Nationwide Building Society (€9bn) and EBS Building Society (€1bn).

Geographical Location of Assets

3. Of the €81bn total, around 67% is thought to be based in the Republic of Ireland, 6% in Northern Ireland, 21% in the UK and the majority of the remaining 6% in Europe and North America. It is believed that 43% of NAMA's prospective assets are land, 26% are development and 31% are commercial.

Recent Developments

4. On the 26th February 2010, the European Commission approved the establishment of NAMA. This led to valuation regulations being revised and subsequently published on the 5th March 2010. The first tranche of loans to transfer to NAMA were identified as the loans relating to the 10 largest Land & Development borrowers of the participating institutions.
5. On the 29th March 2010, the transfer of loans to NAMA began. On this day, Irish Nationwide Building Society and EBS Building Society transferred loans with respective nominal values of €670m and €140m to NAMA. By the 6th April, the Bank of Ireland and Allied Irish Banks had also transferred their loans under Tranche 1 to NAMA. On the 10th May NAMA announced that it had completed the transfer of loans from Anglo Irish Bank (approximate nominal value of €9.3 bn). This signalled the completion of the Tranche 1 stage, which saw loans with an aggregate nominal value of €15.3 billion transferred from the five institutions to NAMA. The consideration paid was €7.7 billion, an overall discount of 50%.
6. On 13th May 2010, NAMA announced the appointment of Mr Biran Rowntree and Mr Frank Cushnahan as members of the NAMA Northern Ireland Advisory Committee.
7. Despite initially suggesting that Tranche 2 of the loans transfer would take place during May 2010, it was not announced until 19th July 2010 that this second tranche had begun. Tranche 2 is still ongoing (as at 17th August) as Anglo Irish Bank has yet to transfer any loans to NAMA.

under the second tranche. In summary, NAMA has recently acquired loans with a nominal value of €5.2bn and have issued NAMA securities worth €2.7bn to four institutions (for full details see table below). This represents an average discount of 48% for this tranche thus far.

NAMA – Loans Transfer under Tranche 2 (as at 17th August 2010)

Participating institution	Nominal value of loans acquired	Value of securities exchanged for loans	Discount	Discount %
Allied Irish Banks	€2.73 billion	€1.40 billion	€1.32 billion	48.5%
Bank of Ireland	€1.82 billion	€1.13 billion	€686 million	37.8%
EBS Building Society	€35.9 million	€19.3 million	€16.6 million	46.4%
Irish Nationwide Building Society	€591 million	€163 million	€428 million	72.4%

8. It was reported that Tranche 2 would see the first transfer of loans concerning businesses based in Northern Ireland, but this has yet to be officially confirmed by NAMA. Business Advisory firm *Grant Thornton* has urged all developers with loans likely to go to NAMA to begin preparation of their business plans, which must be submitted within 30 days of their respective loans being acquired. NAMA has set aside €5bn to support viable projects to develop sites, which will be determined by assessment of individual business plans.
9. Therefore, to date, NAMA has purchased loans with a combined nominal value of around €20.5bn for a consideration of €10.4bn (a 49.3% discount).
10. On 3rd August 2010, it was officially confirmed that the European Commission has authorised, under EU state aid rules, the transfer of the first tranche of assets to NAMA. This would suggest that Tranche 1 has met all transparency and disclosure requirements and indicates that the Commission believes that Tranche 1 represented an appropriate means of remedying a serious disturbance in the Irish economy.
11. Tranche 2 will be followed by a third tranche, whereby upon completion, it is estimated that 47% of the value of all loans will have been transferred (€38bn). NAMA then expects to complete the transfer of all remaining loans from the five institutions by the end of the year and absolutely no later than the end of February 2011, the deadline set by the EU Commission.

12. On 5 July 2010 NAMA published a revised Business Plan. Key conclusion of the plans are:
- The Plan projects that the Agency will return a profit to the taxpayer of €1.0 billion in Net Present Value (NPV) terms under its central scenario where NAMA recovers the LEV (Long Term Economic Value) of the assets.
 - NAMA also examined two variations on this central scenario; one in which NAMA recovers the long-term economic value of assets plus 10% and one in which it recovers the long-term economic value minus 10%. The respective NPV outcomes are a profit of €3.9 billion and a loss of €0.8 billion.
 - The plan anticipates that the average discount applied to the full portfolio of loans acquired will be 50%, reflecting the discount paid on the loans acquired in Tranche 1. Final discounts are of course applied loan by loan and will only be determined as individual loans are transferred.
 - The percentage of loans which are “income producing” (i.e. loans which are at least paying the interest due on the monies borrowed) is, at 25%, significantly less than the 40% level indicated by the Participating Institutions last October. This has had a significant impact on the updated NPV figure.
 - NAMA anticipates spending approximately €1.6 billion on services over its lifetime to support its activities. This figure is €1.0 billion less than had been forecast previously, partly due to the competitive and thorough public procurement process applied by the Agency.
13. Mr Daly has indicated that the Plan confirms that the Participating Institutions had not disclosed or had been unaware of the extent of the financial crisis afflicting their borrowers. He is extremely disappointed and disturbed to find that, only months after being led to believe that 40% of loans were income producing, the real figure is actually 25%. He is equally taken aback to learn that the banks were not even using the full range of legal options available to them in order to secure income in respect of troubled loans. He has said that NAMA has no intention of maintaining that approach and will pursue all avenues to ensure the fullest possible repayment of all outstanding monies from relevant borrowers.

Central Finance Group SPD

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Department of
**Finance and
Personnel**

www.dfpni.gov.uk

FROM: MICHAEL BRENNAN

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DATE: 26 FEBRUARY 2010

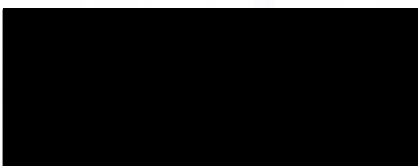
TO: BRUCE ROBINSON

SECGM/81/2010 – BUSINESS BREAKFAST TO DISCUSS THE IMPLICATIONS OF THE NATIONAL ASSETS MANAGEMENT AGENCY (NAMA) FOR NORTHERN IRELAND

In advance of attending a Business Breakfast on the implementation of NAMA (Wednesday 10th March – Europa Hotel) you requested briefing material.

Please see attached briefing as requested (Annex A) giving an update on NAMA and its implication for Northern Ireland. Richard Pengelly and I provided a verbal update on many of these ongoing NAMA-related issues in the margins of our 22nd February meeting.

DETI officials have indicated that they will not be able to provide anything further on this specific issue and it was therefore agreed that the DFP input would be submitted directly to your office.



MICHAEL BRENNAN

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**Stephen Peover
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Richard Pengelly
Peter Jakobsen
Tony Simpson, DETI
Michelle McGoldrick
Patrick McKeown**

IMPLICATIONS OF NAMA FOR NORTHERN IRELAND

Lines to Take:

- The Finance Minister has met with Brian Lenihan many times over recent months to discuss NAMA - the latest meeting took place on 17 February 2010.
- Minister Lenihan indicated that the value of Northern Ireland based loans likely to be transferred to NAMA would total €4.8 billion – much lower than the earlier estimates of circa €20 billion. However, even €4.8 billion of local asset exposure has considerable implications for our economy.
- Minister Lenihan has repeatedly provided an assurance that it is in no-one's interest to undertake a 'firesale' of Northern Ireland-based assets. The loans transferred will be carefully managed.
- At the latest meeting the Finance Minister and Minister Lenihan agreed that a Northern Ireland sub-committee will be established to manage the loans transferred from Northern Ireland. This sub-committee will have Northern Ireland representation to ensure that our interests are safeguarded.
- The Finance Minister also raised a number of concerns that had been highlighted by the Northern Ireland Business Alliance regarding the implications of NAMA for Northern Ireland – Minister Lenihan was able to provide considerable comfort on all issues raised.
- Officials from the two finance departments will continue to work together to ensure that Northern Ireland is in no way disadvantaged by the NAMA implementation.

Background:

Recent Meetings with Minister Lenihan

1. The Finance Minister first met with Minister Lenihan on 8 September 2009 to discuss NAMA. At this meeting, Minister Lenihan indicated that the value of Northern Ireland based loans likely to be transferred to NAMA would total €4.8 billion. Minister Lenihan also provided an assurance that it was in no-one's interest to undertake a 'firesale' of Northern Ireland-based assets. The loans exposed had to be carefully managed. This remains the case under the revised NAMA arrangements, which involves a Special Purpose Vehicle managing the NAMA assets. Minister Lenihan also indicated that it would not be possible to expand the NAMA seven person Board to include a Northern Ireland specific representative. However, he indicated that

DFP could communicate directly to NAMA through an advisory committee.

2. The latest ministerial meeting took place on 17 February in Dublin. At this meeting Minister Lenihan confirmed the establishment of the Northern Ireland Advisory Committee and agreed that Northern Ireland would have two representatives. Brian Lenihan is content to accept Frank Cushnihan as a nominee but there is some uncertainty about our nomination of Richard Pengelly (as DoF in Dublin will not be allowed to have an official sitting on the NAMA council). Minister Wilson will provide an alternative second nominee should Richard be ruled ineligible. The NI Advisory Committee, reporting to the NAMA board, will be in place by mid March and will provide another communication channel for NI businesses to raise concerns. The two Ministers also discussed in detail the possible implications for Northern Ireland businesses caught up in the NAMA process. The outcome of these discussions are summarised below.

Northern Ireland Business Alliance NAMA Paper

3. The local business sector concerns about the NAMA process were set out in a recent paper produced by the Business Alliance – comprising the IoD, the Northern Ireland Chamber of Commerce, the Confederation of British Industry and the Centre for Competitiveness. The main concerns were:
 - Damage to business reputation if drawn into the NAMA process – even if the loan is performing.
 - Businesses that have loans transferred to NAMA may have difficulties accessing future funding.
 - NAMA is not a UK registered bank and it is not clear if interest payments made to it by a UK company will be tax deductible.
 - Clarity is required on whether personal guarantees will also transfer to NAMA.
4. These issues were also discussed at the 17th February bi-lateral. Minister Lenihan assured Minister Wilson that the Irish Department of Finance will be able to produce a register of NI companies whose loans could be transferred to NAMA. This will be shared with Northern Ireland appointed representatives on the NAMA Advisory Council and will thus give an understanding of the scale of the impact of NAMA in NI.
5. On the issue of accessing future finance, Minister Lenihan stated that NAMA will be prepared to allow companies to use surplus security, held by NAMA, to secure new loans from banks. However, NAMA would approve this on a case by case basis.
6. In terms of possible reputational damage it was noted that loans transferred into NAMA should not be seen as carrying an additional risk as NAMA provides greater security – this will be communicated to the major credit ratings agencies. Minister Lenihan also noted that there is

a role for the Advisory Council to publicise the remit and activities of NAMA within Northern Ireland to ensure that stability and confidence are maintained.

7. Regarding taxation, the Irish Department of Finance believe the issue surrounding interest payments should be covered under the 'Double Taxation' agreement between UK and Ireland. DFP are working with HM Revenue and Customs and Department of Finance, Dublin, to get confirmation of this. If the current agreement does not address this concern then it should be possible to establish some form of bi-lateral protocol between HMRC and Dublin.
8. In terms of personal guarantees Minister Lenihan confirmed that NAMA has no powers to seize NI located assets under the existing Rol legislation. NAMA could not seize any Northern Ireland based assets without a court order from a NI court. Hence, the process is no different than what a NI-based bank would need to go through. The Business Alliance had been concerned that NAMA clients located in Northern Ireland would be forced to defend themselves in Rol courts.

Eligible Institutions – Ulster Bank

9. On the 22nd November it was reported¹ that Royal Bank of Scotland's (RBS') chief executive, Stephen Hester, was expected to lodge an application to join NAMA through its Ulster Bank subsidiary. The report estimated that RBS would attempt to transfer £7 billion of toxic loans to NAMA. Such a move could have generated some friction between the Dept. of Finance in Dublin and HM Treasury as it is believed that the two had reached a 'gentleman's agreement' that British banks would not apply to use NAMA as long as no Irish banks applied to the parallel UK programme (the Government Asset Protection Scheme). However, on the 19th February 2010 (the transfer deadline) it was reported that Ulster Bank would not be participating in NAMA despite the fact that under EU rules, Ireland would have been legally obliged to consider RBS's application to join NAMA.

Accountancy Treatment & NAMA Implementation

10. On the 20th October 2009 Minister Lenihan announced that he welcomed the preliminary decision of Eurostat (the Statistical Authority of the European Commission) that the operations of NAMA should be recorded outside the general government sector in the Irish National Accounts. Hence, the acquisition of the assets from the financial institutions by NAMA may be treated as off-balance sheet. This is important to the Republic of Ireland as the General Government Gross Debt to GDP ratio already exceeds the Maastricht Treaty's maximum for a country to be considered in a sustainable fiscal position (60 per cent). EU forecasts for Ireland show that without taking into account bank guarantees, bank recapitalisation or NAMA, General Government

¹http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6926921.ece

Gross Debt is estimated to be 61.2 per cent of Gross Domestic Produce (GDP) in 2009 and 79.7 per cent in 2010.

11. This statistical treatment is dependent on the establishment of certain entities which will be the legal holders of the NAMA assets (a Master Special Purpose Vehicle (SPV)), while NAMA will retain effective control and veto on decision making. The key feature that would allow the Irish Government to classify the NAMA assets as 'off balance' sheet is that the Master SPV would have a majority of private equity (51%), whilst the remainder would be owned by NAMA.
12. Recent press reports have confirmed that banks participating in NAMA will face a bigger discount on the loans transferring than initially thought. This means that participating banks will take a bigger hit on their balance sheets and hence need to raise more capital. There will undoubtedly be pressure to sell off assets and perhaps sell, or close, poorly performing branches. This could have implications for BoI and First Trust staff in Northern Ireland. This development may also impact negatively on the local property market. NAMA may seek to develop sites and subsequently sell these at a significant discount, which could depress the fragile housing market in years to come. This would squeeze profit margins of local developers and may result in more bankruptcies locally. However, at the recent ministerial meeting, Brian Lenihan did indicate that the additional asset discount would exceed the 30 per cent previously set but it would not be as high as 40 per cent – as reported in media speculation.

Bank of Ireland (Irish State now owns 16% Stake)

13. On the 22nd February 2010 the Irish State were issued with €184 million of shares in the Bank of Ireland – this gives the Irish State an almost 16 per cent stake in the Bank of Ireland (worth approximately €250 million). Under the terms of the Irish Government's recapitalisation scheme (where the Irish State invested €3.5 billion in the Bank of Ireland) the Bank of Ireland was to pay an annual dividend of 8%. However the EU have blocked banks that are in receipt of State Aid from making these payments, as they believe they would amount to a direct transfer of money from the State to private investors. Therefore the Bank of Ireland had to give the Irish State shares despite the fact that Minister Lenihan would have preferred the payment for wider Exchequer pressures.

EU Commission Approval

14. On 26 February 2010 it was reported that the EU Commission had formally approved the NAMA scheme.



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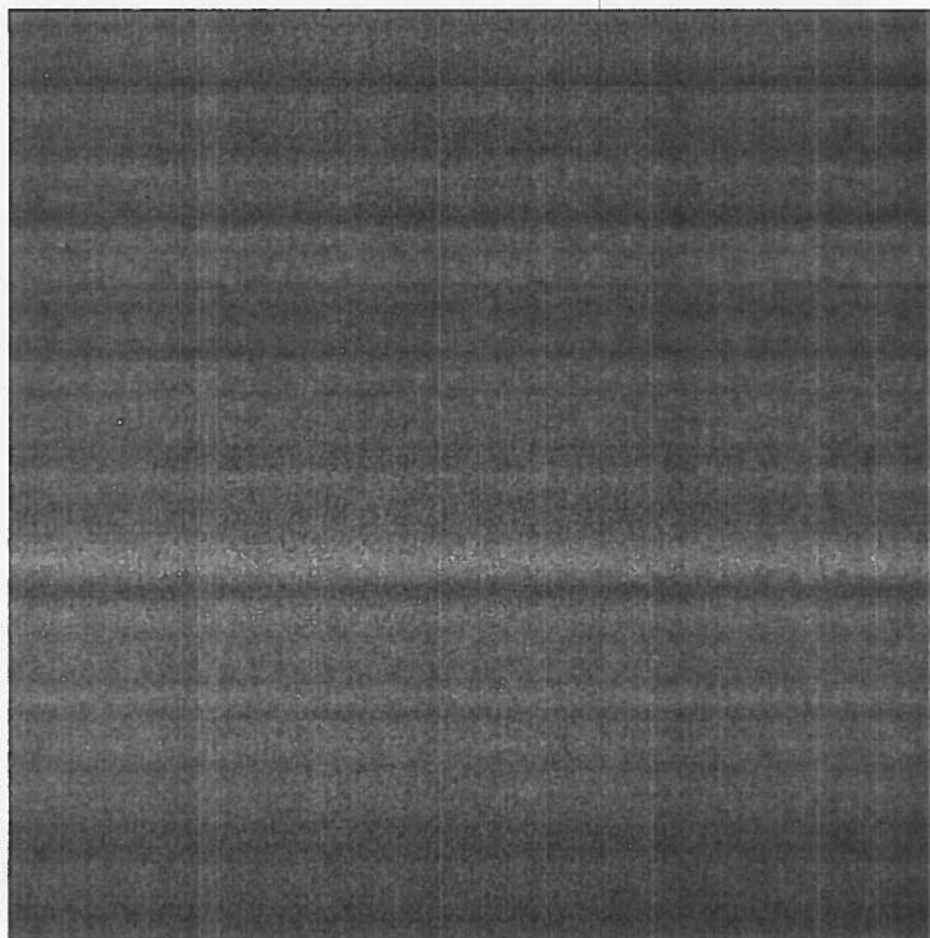
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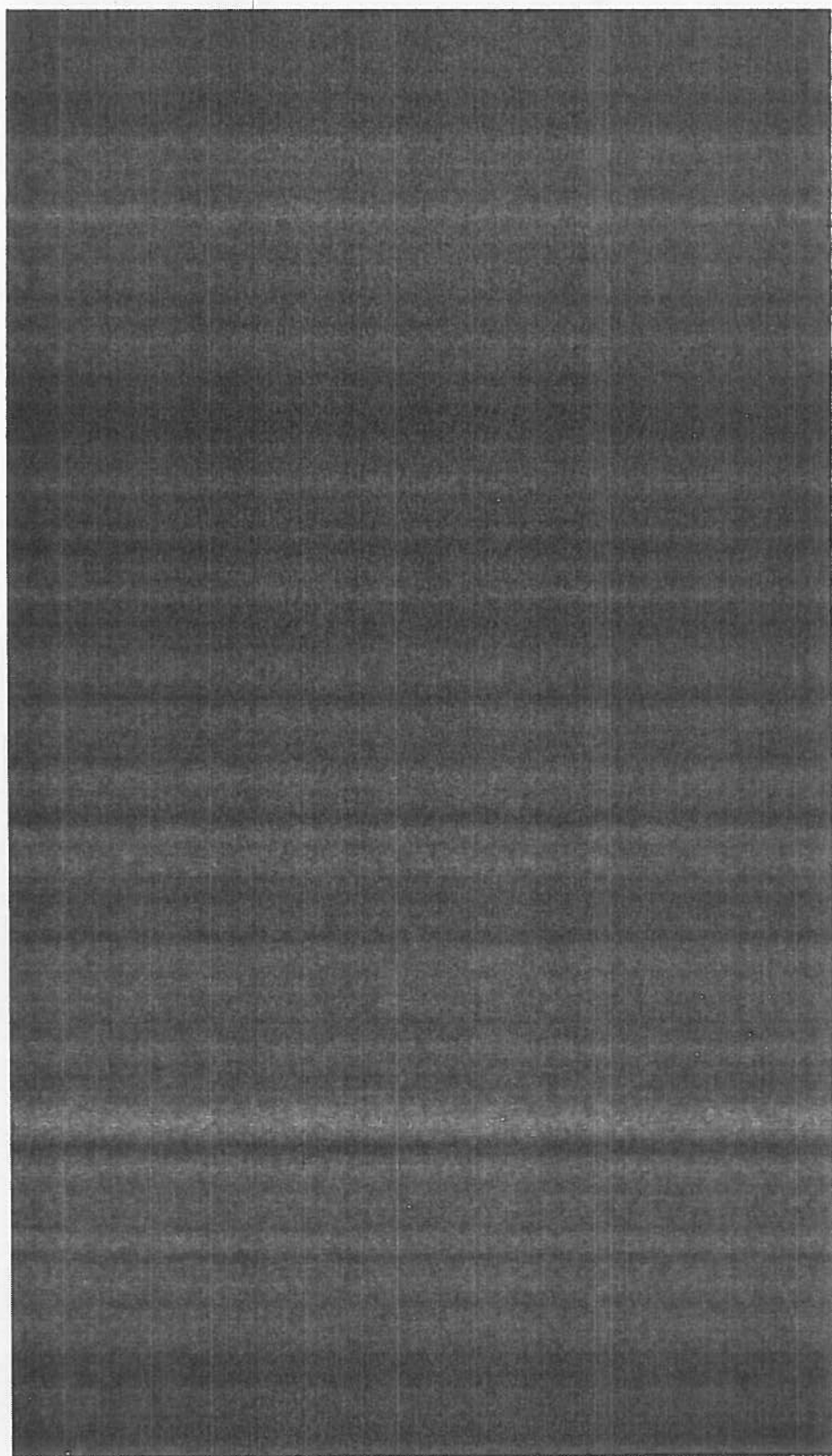
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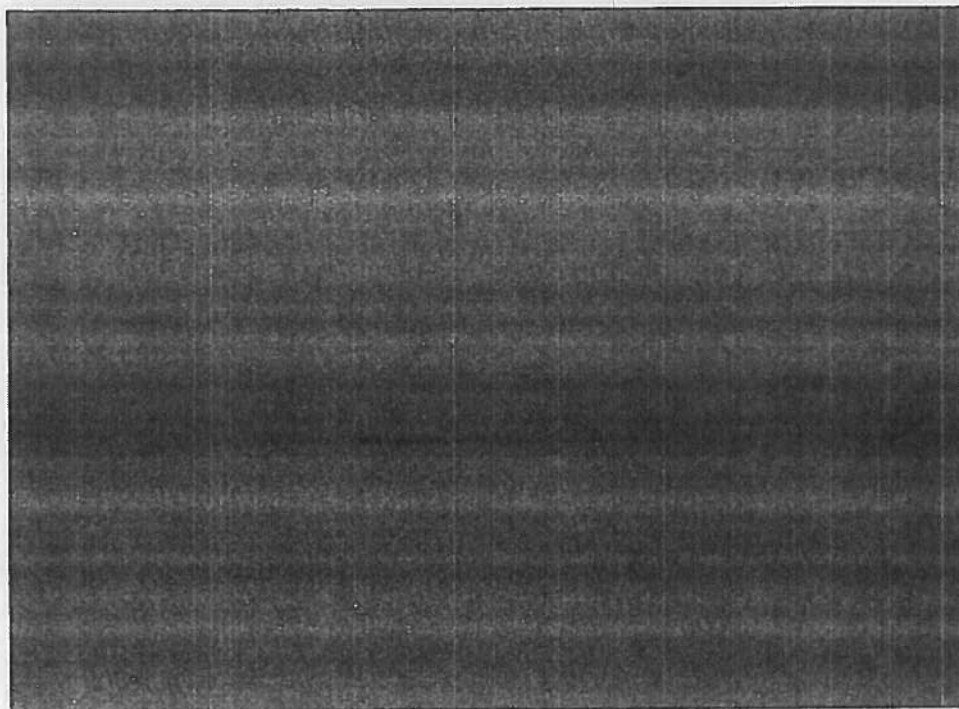
Brian Lenihan, TD
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Brian

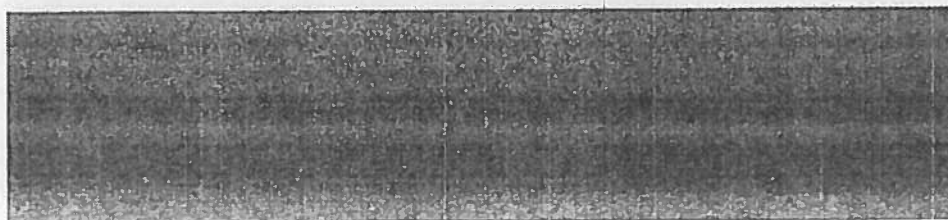
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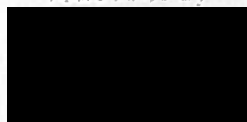




On the matter of making our representations to NAMA, I have given some considerable thought to who best should represent Northern Ireland interests. On reflection, I would advance Frank Cushnahan and [REDACTED] (two well-respected ex-bankers) and Richard Pengelly (the Public Spending Director here in DFP) as three suitable appointees.



Yours sincerely



SAMMY WILSON MP MLA

Central Finance Group SPD

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FROM: MICHAEL BRENNAN

Copy Distribution List Below:

DATE: 4 SEPTEMBER 2009

**TO: 1. GRAHAM CRAIG, SPECIAL ADVISOR
2. SAMMY WILSON MP MLA**

INV/244/2009: BI-LATERAL WITH FINANCE MINISTER LENIHAN TO DISCUSS NATIONAL ASSET MANAGEMENT AGENCY (NAMA)

Issue: You have agreed to meet Brian Lenihan (Irish Minister of Finance) to discuss NAMA.

Timing: The meeting is scheduled for Tuesday 8th September 2009. NAMA will be discussed from 11.00am to 12.15pm (SEUPB sectoral issues will be discussed separately from 12.15pm to 1.00pm).

Need for referral to the Executive: Not applicable.

Presentational Issues: The establishment of NAMA has received wide-spread media attention in both the Republic of Ireland and Northern Ireland. A draft press release has been prepared (Annex F).

Freedom of Information: In the event of a request for disclosure of information contained in this submission under the FOI Act, the request would be considered in the context of the relevant provisions of the legislation including any exemptions that might be applicable.

Financial Implications: Not applicable at this stage.

Legislation Implications: Not applicable.

**Statutory Equality
Implications:**

Not applicable.

Recommendation:

That the Minister notes the background brief and attached material in advance of the meeting.

Background

1. The establishment of NAMA was discussed by the First Minister and deputy First Minister when they met with the Taoiseach, Brian Cowan, at a North-South Ministerial Council (NSMC) meeting on 6th July 2009. It was agreed that a meeting of finance ministers and officials would be beneficial given the significance of this issue for both economies.
2. The Finance Minister has agreed to meet Brian Lenihan (Irish Minister of Finance) to discuss the proposed establishment of NAMA. The meeting has been arranged for Tuesday 8th September 2009 at the Department of Finance, Dublin. The discussion on NAMA issues is scheduled to commence at 11.00am and conclude at 12.15pm in the Minister's suite. The Ministers will then adjourn to a different room for a short meeting on NSMC issues (separate briefing on that subject to issue from DFP European Division).
3. The proposed establishment of NAMA continues to draw considerable political and media debate in the Republic of Ireland. The Dáil is scheduled to debate the draft legislation creating NAMA on 16th September 2009. Over recent days there has been much discussion and analysis on the wisdom of establishing NAMA. Annex A provides a detailed summary of the rationale for creating NAMA and its proposed functions. Annex B presents a summary of the key criticisms of the NAMA proposal by a number of commentators. This growing criticism and concern about the establishment of NAMA was crystallised in a recent letter to the Irish Times endorsed by 46 leading economists. The underlying tenet of this criticism is that the Irish Government is effectively transferring risks from the banks and commercial developers to the tax-payer. These risks are deemed to be considerable and yet unquantifiable. The potential financial downside in pricing these risks would then reside with the tax-payer for a considerable time.
4. In a statement to the joint Dáil committee on Finance and Public Service on 31 August 2009 Minister Lenihan addressed the NAMA concerns. A summary of his address is attached at Annex C. Recent share price information on the Allied Irish Bank and the Bank of Ireland (the two main proposed beneficiaries of NAMA) is attached at Annex E for information.
5. The Northern Ireland concern in this debate is a direct and significant one. The quantum of assets that may need to be transferred to NAMA is thought to be €80 - €90 billion and some commentators believe that approximately one quarter of these assets may be either located within

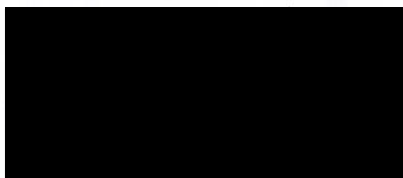
Northern Ireland or held by Northern Ireland residents. At the CSAF Banking Sub-Group meeting, chaired by the Minister, on 6th August 2009, the banking representatives initially disputed the magnitude of the Northern Ireland exposure to NAMA claims but the figures quoted by the Irish Banking Officials Association (IBOA) representative at that meeting seemed to confirm exposure in the order of €20 billion (he stated that he had recently met NAMA and the Northern Ireland exposure was about one quarter of the total debt to be transferred).

Advice:

6. In relation to the meeting with Brian Lenihan, it is recommended that the Minister initially requests a general update on the establishment of NAMA and queries the rationale in the context of widespread opposition. The Minister might then ask for some insight into the possible exposure of Northern Ireland residents/assets. The Minister will then be able to convey concern about the possible deflationary impact that any hasty disposal of assets might have upon the local economy. It would surely be advisable for the Northern Ireland Executive to have some role in the progression of NAMA and its activities relating to the Northern Ireland economy. Therefore the optimal outcome from our perspective would be Minister Lenihan agreeing to some form of formal representation on the management board of NAMA. An opening speaking note to the Minister is attached at Annex D.
7. This meeting will undoubtedly attract media attention in both jurisdictions. A draft press release (Annex F) has been prepared which focuses on the need to manage carefully the disposal of any stressed bank assets located within Northern Ireland. The press release does not comment on the wisdom (or otherwise) of creating NAMA. Also attached at Annex G are profiles of Brian Lenihan and senior NAMA officials likely to be present.

Recommendation

8. It is recommended that the Minister notes the background brief and attached material in advance of the meeting.



MICHAEL BRENNAN

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LIST OF ANNEXES

Annex A – Summary of Rationale for Creating NAMA

Annex B – Summary of Key Criticisms of NAMA

Annex C - Summary of Brian Lenihan's address to the Dáil joint Finance and Public Service Committees on NAMA

Annex D – Ministerial Speaking Notes

Annex E – Recent Share Price Information on Allied Irish Bank and Bank of Ireland (two main proposed beneficiaries of NAMA)

Annex F – Press Release (Cleared by Press Office)

Annex G – Pen Pictures of Attendees

SUMMARY OF RATIONALE FOR CREATING NAMA

Draft Legislation:

1. The Irish Department of Finance published its draft NAMA legislation on the 30th July 2009 and it will be debated by the Oireachtas on the 16th September. The main points from the draft legislation are summarised below.

Rationale for NAMA

2. The rationale for NAMA acquiring banks' debt is not that the assets are inherently worthless, but that they are amongst assets whose worth is harder to assess in the current constrained economic environment. Financial and capital markets are uncertain about the overall impact of such property loans on the sustainability of the affected financial institutions.
3. The objective is to provide the banks with a clean bill of health, strengthen their balance sheets, reduce uncertainty regarding bad debts and, ultimately, to ensure the flow of credit.

How will NAMA work?

4. There are three key steps involved:
 - Step 1: NAMA will purchase the loans from participating banks at a significant discount – these will be the riskiest elements of banks' portfolios – the 'toxic debts'.
 - Step 2: NAMA will pay the banks for the loans, on the basis of new valuations (based upon a pre-determined methodology) – banks book value will not be a factor and the banks will therefore have to incur a loss at the time of transfer. The payment for the loans will be in the form of Government securities and/or guaranteed securities.
 - Step 3: NAMA will manage the loans, directly or indirectly, to ensure maximum return, whilst continuing to collect interest due/pursue outstanding debt.

Applicable Assets

5. The assets to be covered by NAMA include all loans in respect of the purchase of land for development and associated work in progress. Certain property investment loans will also be considered. Land and development loans outside of Ireland (including Northern Ireland) *will* be eligible for transfer to NAMA, subject to consideration of the legal issues involved. This is essential to ensure that banks' balance sheets are effectively cleansed.

Pricing / Terms of Loans Transferred

6. The loan books will be purchased by NAMA at an appropriate price. Each will be reviewed individually to ensure that banks are cleared of the identified riskiest loan portfolios. Pricing will depend upon an

assessment of the loans' long term economic value and the risk being transferred to NAMA, in line with European Commission guidance. The process is also subject to EU State Aid approval.

7. The banks' book value of the loans will not be a factor and the banks will have to recognise a loss on their books at the time of transfer for the difference between the book value and the amount paid by NAMA.
8. Existing loan terms and conditions will remain in place. Individual loan terms will be reviewed by NAMA and the agency will have commercial independence in dealing with the loans acquired. With regards to developers whose loans are transferred to NAMA, like other loan holders, they will continue to be liable for their loan obligations. The loan counterpart merely changes from the relevant bank to NAMA.

Size / Funding of NAMA

9. It is estimated that the size of the NAMA asset portfolio will be in the region of €80-90 billion in assets (based on current book value, but to be transferred at an appropriate discount). The loans sold to NAMA will be paid either in Government Bonds or in Government guaranteed bonds issued by NAMA.
10. NAMA will manage its loan portfolio over a period of years to ensure that the optimal value is obtained for the taxpayer and will endeavour to ensure all loan agreements are honoured in full. Where write-downs are made, this will reflect commercial reality and will be offset by other performing loans within the NAMA portfolio. When NAMA is wound up, the government will determine whether a profit or a loss has been made in its lifetime. Any profits will accrue to the State; any shortfall will be recovered by the application of a levy.

Banks' Participation in NAMA

11. Legislation will address the issue of a mandatory power to acquire assets from the banks, however, it is anticipated that most indigenous banks will be anxious to participate.
12. It has already been decided that there is a capital requirement in respect of AIB and Bank of Ireland. In the case of Bank of Ireland, this recapitalisation process has already been finalised (end March) and due diligence work is ongoing in respect of AIB.

What Will NAMA Look Like?

13. NAMA will be a separate body with its own Board appointed by the Irish Finance Minister. Its staffing resources will be provided by the Irish National Treasury Management Agency. NAMA will have all necessary commercial powers of a financial asset management company to establish subsidiaries, operate through agents, buy and sell assets, manage loans and to take action in relation to debts owed.

SUMMARY - KEY NAMA CRITICISMS

Introduction

1. NAMA is a proposed Irish Government initiative designed to deal with the riskiest loan portfolios on the balance sheets of Irish banks. These high risk loans prevent banks from lending meaning they are unable to fully support economic recovery. Following an examination of the options available, the consensus between Government Advisors including the Central Bank, Financial Regulator and the National Treasury Management Agency (NTMA) was that an Asset Agency would be the best means of ensuring the stability of the financial system, the protection of depositors and ensuring that banks were freed up to lend to the real economy.

Possible Implications for Northern Ireland

2. Although NAMA will be an Irish Government agency, the banks that may be involved operate both North and South of the border. Borrowers will learn that their debt is to NAMA, not an individual bank. A borrower who objects to his debts being transferred could only avoid the transfer if the loan is promptly repaid. This may prove unlikely since asset values have fallen and shifting a loan to another non-Irish bank would mean additional security was needed.
3. A possible North – South difference will emerge when the actions of NAMA are judged alongside the commercial judgements of the non-Irish banks in Northern Ireland. Will NAMA have more patience since its objectives may be less time constrained? Alternatively, will NAMA be less patient with Sterling loans in NI because the legal remit may force NAMA to seek early liquidation of assets.
4. A further concern is that Northern Ireland-based assets might be off-loaded on to the market first. This could have a highly negative impact on the local housing/ development market and wider local economy.

NAMA – Key Concerns

5. One of the groups who have expressed concerns are the Irish Home Builders' Association (IHMA) about the 'extensive powers over individual and property rights conferred on the agency'. The IHBA has also highlighted how important a viable construction and property sector is for the future of the Irish economy, and are in the process of carrying out an extensive consultation process for submission to Government.
6. Ireland's junior governing party, the Green Party has also expressed worries over NAMA, particularly over the exposure of the taxpayer in terms of risk exposure. They have said it is important to ensure that risk is properly managed and shared. The Greens are also concerned that NAMA could set an artificial floor on the price of property – possibly repeating

many of the mistakes which got the Irish economy into their current economic difficulties.

7. A leading Irish economist Colm McCarthy has said that NAMA must buy loans at a good price, as financial institutions may need more cash from the Government even after NAMA removes the toxic assets from their balance books.
8. International firms have expressed interest in buying 'cheap' property which could come on the market as a consequence of NAMA. A range of companies including Carlye Group, Blackstone and British Land have contacted the agency already.
9. Many commentators have asked the question, why not nationalisation? It is argued that state banking would be a more viable option as every cent of taxpayers money is then available for loan to Irish business, instead of disappearing into NAMA to bail out insolvent bank shareholders. It is also stressed that the economy will not collapse if a handful of Irish banks are not bailed out, and that there are many banks worldwide (as well as a potential state bank).
10. The Irish Independent has highlighted how, according to public tender documents, NAMA will take control of some €25bn worth of property and land assets in the UK. The tender document also states that "it is not possible to quantify or estimate in advance the volume or the frequency of valuation work that will be required."
11. It is also stressed that €4.3bn was spent by Irish investors on property including shopping centres and office blocks in Germany, Russia, France and Eastern Europe just as the boom faded. Valuation of these overseas assets is likely to prove extremely difficult. According to a statement published by the Labour finance spokeswoman, Joan Burton, (when talking of the est. 60,000 foreign properties owned by Irish investors), she said "I suspect it will be much more difficult to value those properties. There aren't a lot of investors to replace those Irish investors so prices will fall further." She added, "There are a lot of people with 20 or 30 properties leveraged against each other. The banks will try to sell the best properties, but will the rest go to NAMA? Will it define what the assets are and what the minimum values are?"
12. At today's market trading prices, the combined market value of nationalisation AIB and Bank of Ireland is €4bn compared with an amount closer to €90bn of assets being transferred to NAMA.

NAMA Petition – Brian Lucey Campaign

13. Eminent Trinity Professor, Brian Lucey, has recently compiled a list of concerns regarding NAMA, which was also signed by 46 Irish economists. The contents of their paper are summarised below.

- What evidence does NAMA have that the current market price of property, land etc is in fact the correct price to pay?
- What evidence suggests that the current market price for property or land will not continue to decline for a number of years, as has been the case with previous property crashes?
- Why would temporary nationalisation of Irish banks be undesirable? Given that this would provide the taxpayer with a valuable asset which could be sold in future years?
- Why do no independent analysts support the government's views on NAMA? For example the Swedish finance minister has criticised the proposed agency and the IMF suggests temporary nationalisation for insolvent institutions.
- Why not force the equity and bond holders in Irish banks to incur the losses that the banks incurred? After all, that is what risk capital is for.
- If the state overpays for the loans, what does the taxpayer gain outside a functioning banking system?
- What percentage of book value of the loans should NAMA pay? Given that land and development properties' current value is around 30% less than book value. If NAMA were to pay say €60bn for loans that are only worth €30bn, how can a full year's tax revenue to private speculators be justified at this economic time?
- If, as is possible, the loans transferred to NAMA do not provide sufficient income to meet coupon payments of the bonds issued, will the taxpayer not have to meet these payments?

Responses to Lucey's Campaign

14. In response to the economist's petition, Lenihan's economic advisor, Alan Ahearne said a number of claims in the article were incorrect.
15. The Irish Times' economist Rory Gillen has created a counter response to the issues raised in the paper. He made the following points:
 - Ireland is not now 'betting the house' on NAMA;
 - It is far too simplistic to say that the Government is planning to pay "way" over the odds for assets being transferred to NAMA;
 - Arguing that replacement cost is a sensible way to value homes is at odds with the fundamentals that have actually determined house prices in Ireland over the past several decades.
16. The Irish Finance Minister, in a statement to the joint committee on Finance and Public Services, addressed the key concerns over the pricing of assets and why nationalisation is not an appropriate policy response. Annex C provides a summary.

SUMMARY - STATEMENT BY BRIAN LENIHAN TO THE DÁIL JOINT COMMITTEE ON FINANCE AND THE PUBLIC SERVICE, 31 AUGUST 2009.

Introduction

On 31 August 2009 Brian Lenihan, in a statement to the joint Committee on Finance and Public Service, addressed the main issues raised in opposition to NAMA. The Minister made the following key points:

Asset Valuation:

- That NAMA will pay significantly less than book value for risky assets. The price will be determined by a process of independent valuation of the security of the loan, followed by adjustment to reflect long-term economic value. Furthermore, the draft legislation for the valuation framework must be approved by the European Commission.
- That NAMA will not price assets on the assumption of a return to the peak values in 2007. Instead the determination of "long term economic value" will be based on historic housing statistics and broader macroeconomic data.
- NAMA is not a 'bailout for borrowers and developers'. Since NAMA will acquire the loans at a significant discount from the bank's book value, NAMA will be in a position to be more aggressive with borrowers if it deems it necessary. The draft legislation also contains a number of provisions which will assist NAMA in its dealings with developers to ensure that debts are pursued vigorously.

Nationalisation Option:

- The Labour Party put forward nationalisation as an option, which is supported by many economists. The Minister argued that the toxic assets would not disappear under this option. Furthermore, nationalisation might have a negative impact on market confidence towards the banks and to Ireland, which could result in Ireland's credit rating being downgraded. This would lead to increased debt service costs on the national Irish debt.

Risk-Sharing / Losses:

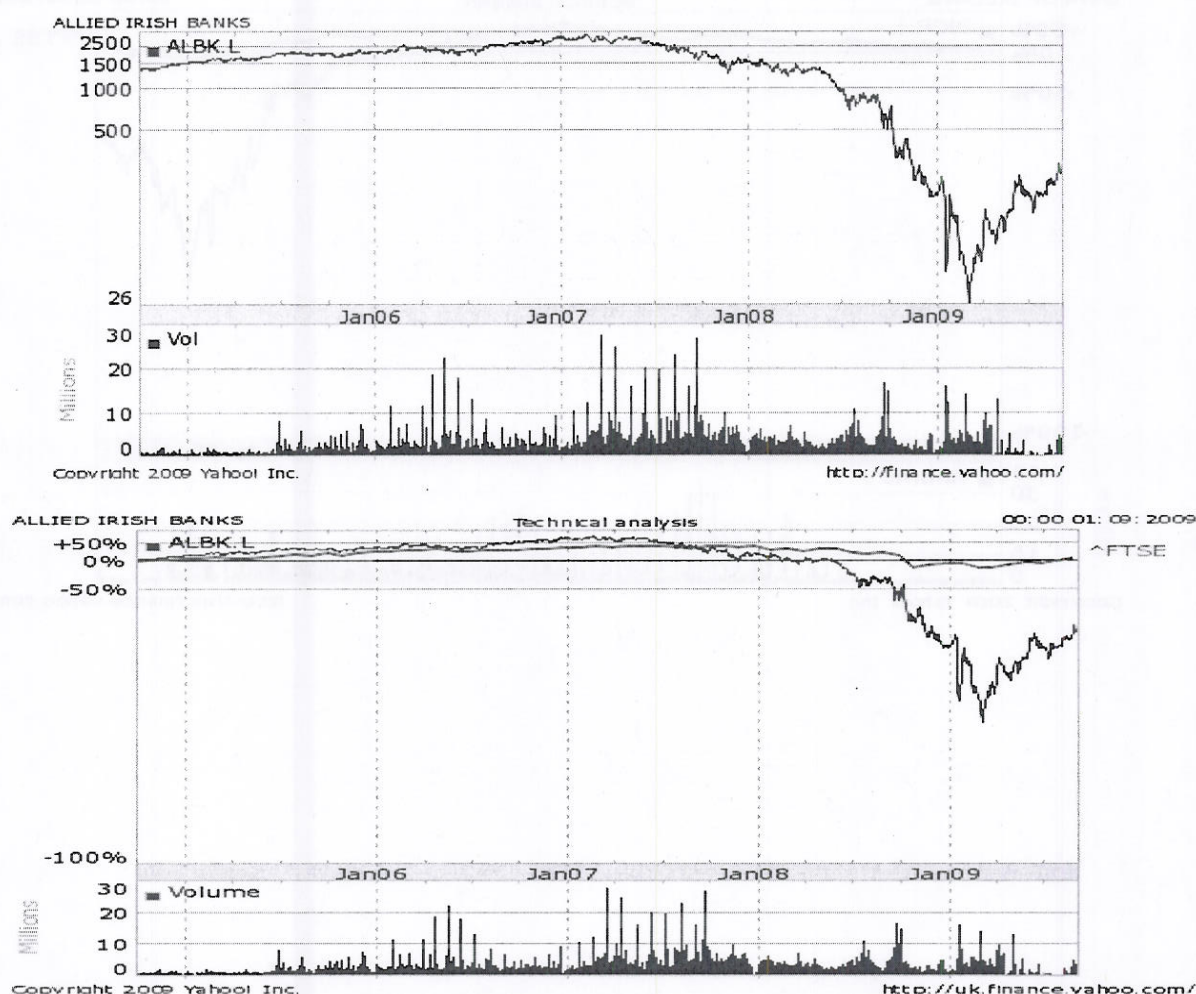
- The Minister emphasised that a risk-sharing mechanism will be included in the NAMA process and although it is expected that NAMA will make gains in its life, should NAMA be faced with losses, consideration would be given to the imposition of a levy to recoup the shortfall – as opposed to the expense of the taxpayer.

BANKS' SHARE PRICES

Introduction

Allied Irish Bank (AIB) and Bank of Ireland (BOI) are to be the two main beneficiaries of the National Asset Management Agency (NAMA)¹. Share prices for AIB and BOI over the last five years are shown below², both in absolute terms and relative to the FTSE 100. This shows the significant impact of the credit crunch upon the banks' values, particularly when measured relative to the market index. Both banks had lost approximately two-thirds of their 2005 market values by early 2009, and even more if taken relative to values in 2007. However, there has been a considerable recovery in share prices since the start of the year – a trend which could be reflective of increased optimism associated with the NAMA proposals (announced in the Supplementary Budget in April 2009).

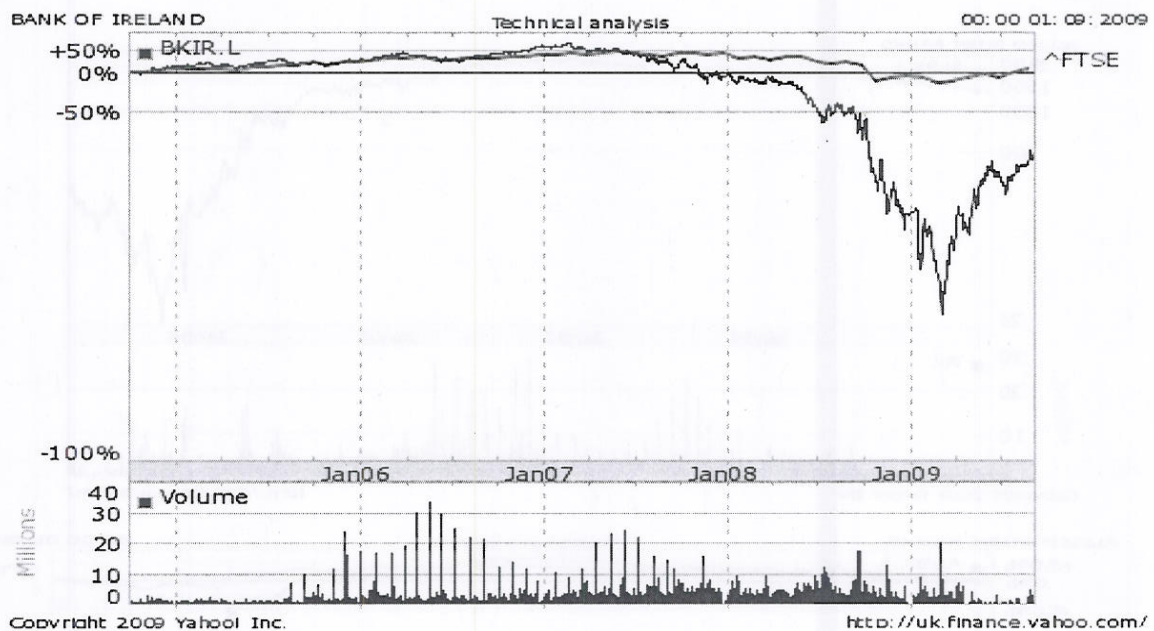
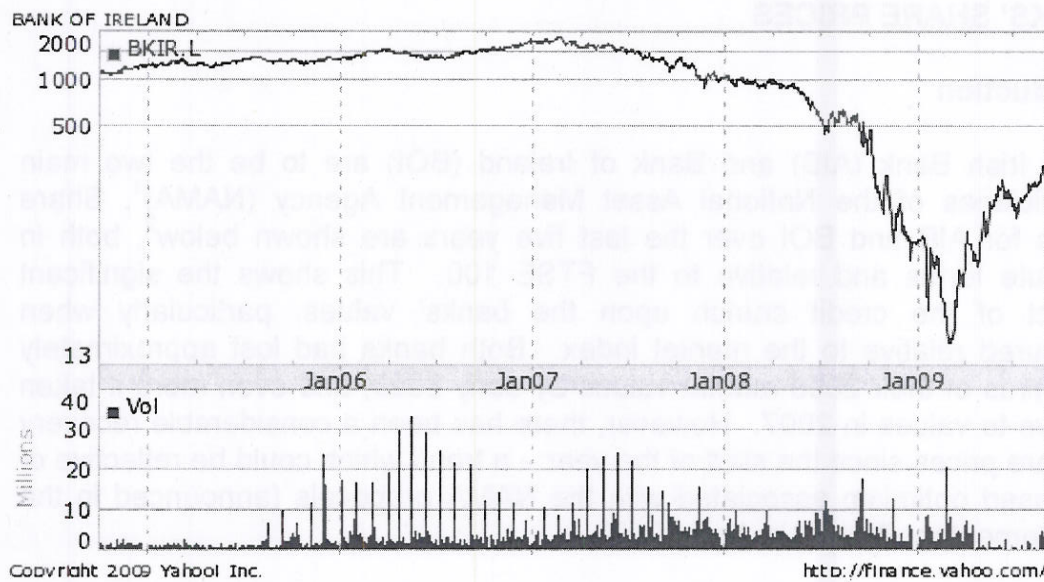
AIB



¹ <http://www.examiner.ie/business/key-banks-hit-by-pre-nama-volatility-99885.html>

² As quoted on the London Stock Exchange

Bank of Ireland



DRAFT SPEAKING NOTES

- Firstly I would welcome an update on how far preparations for establishing NAMA have progressed. Provided that the draft Bill is agreed on 16 September when do you envisage that NAMA will start operating?
- I am aware of widespread opposition to the proposed NAMA process. The key concerns appear to centre on the pricing of assets and the exposure to tax-payers in the Republic. Are you content, given the considerable concerns being raised, that the proposals are robust?
- I would welcome any insight that you, or your officials, might have on the potential exposure of Northern Ireland based assets. I have heard reports of an exposure of some £20 billion – can you confirm that this is the case?
- I am naturally very concerned about the potential impact any rapid disposal of Northern Ireland based assets might have on our property market and wider economy.
- I would therefore propose that the Northern Ireland Executive have a formal role in taking forward the NAMA process in relation to assets within Northern Ireland or held by Northern Ireland residents.
- This will ensure that the impact of NAMA's actions on the Northern Ireland economy is well understood and fully incorporated into the decision making process.

WILSON MEETS WITH LENIHAN TO DISCUSS NAMA

Finance Minister, Sammy Wilson, today met with Irish Finance Minister, Brian Lenihan to discuss the emerging proposals for a National Asset Management Agency (NAMA) in the Republic of Ireland.

At the meeting Minister Wilson outlined his concerns about the importance of managing carefully the disposal of any stressed bank assets in Northern Ireland to contain the risk of any detrimental impacts upon the local property market and wider economy.

Speaking after the meeting, he said: **“I welcome this opportunity to meet with Brian Lenihan to discuss the development of NAMA. While the role of NAMA is of critical importance to the Irish economy, I have stressed to him the importance of also carefully managing asset disposals to ensure that local Northern Ireland interests are protected.”**

Initial estimates suggest that the value of loans NAMA might take over could be in the region of €90billion, with a considerable element of that being located in the UK – much of it in Northern Ireland. Minister Wilson used the meeting to underline his concerns at the impact on the Northern Ireland economy of any large scale move to sell these assets off quickly.

The Minister said: **“NAMA will obviously have some influence over the management and possible disposal of significant assets located within Northern Ireland – most notably land and development assets. It is imperative that this management adopts a prudent and considered position to ensure the long term interests of the Northern Ireland economy, and indeed that of the Republic of Ireland, are protected.”**

To safeguard the Northern Ireland's interests Minister Wilson proposed that the Northern Ireland Executive should have a formal role in taking forward NAMA.

Notes to Editors:

1. The Department of Finance in the Republic of Ireland published draft NAMA legislation on 30th July 2009. There are currently no details of the Northern Ireland 'asset exposure' within the anticipated €80 - €90 billion NAMA book valuation but it is believed that a significant element has a locus in Northern Ireland. The key concern from a Northern Ireland perspective is that if Northern Irish assets were to be disposed of first, this could have a highly negative impact on the local property market.
2. Media enquiries only to DFP Communications Office on 028 9052 7374 or 028 9052 27375.
3. Out of office hours please contact the Duty Press Officer via pager number 07699 715 440 and your call will be returned.

PEN PICTURES

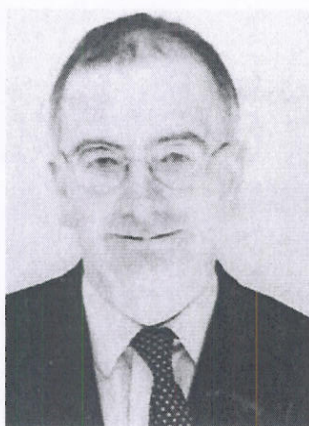
MR BRIAN LENIHAN (IRISH FINANCE MINISTER)



Mr Brian Lenihan was appointed as Minister for Finance on 7 May, 2008. He has served as Minister for Justice, Equality and Law Reform from the 14 June 2007 to May 2008. Prior to that he had been Minister of State with responsibility for Children at the Department of Health and Children, the Department of Justice, Equality and Law Reform, and the Department of Education and Science.

He was first elected to the Dáil in April 1996 in the by-election caused by the death of his father, Brian, who had been a deputy in Dublin West since 1977. During the 28th Dáil, Mr Lenihan was Chairperson of the All-Party Oireachtas Committee on the Constitution which considered changes in the abortion laws. He was also a member of the Committee on Procedure and Privileges.

JOHN O'CONNELL



Mr John O'Connell is Assistant Secretary, Department of Finance.

PAT CASEY

Mr Pat Casey is Head of EU Structural Funds Unit, Department of Finance

POTENTIAL ATTENDEES

MR BRENDAN McDONAGH



Mr. Brendan McDonagh has been appointed interim Managing Director of the National Asset Management Agency (NAMA). He is currently the Director of Finance, Technology and Risk with the National Treasury Management Agency (NTMA) and has held that post since 2002. Prior to that, he was Financial Controller (1998-2002) of the NTMA. He joined the NTMA in 1994, having previously worked for a number of years with the ESB in a number of areas including accounting, internal audit and treasury. During his time in the ESB, he worked on secondment from the ESB to the NTMA in its initial years.

Originally from Killorglin, County Kerry, Mr. McDonagh (41) holds a Bachelors Degree in Business Management from Trinity College, Dublin and is also a Chartered Management Accountant.

