National Asset Management Agency (NAMA)

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National Asset Management Agency (NAMA)\textsuperscript{1}

\textit{Alexander Nye}\textsuperscript{2}

Yale Program on Financial Stability Case Study
June 23, 2021

\textbf{Abstract}

After the Irish property boom peaked in 2007, Ireland’s banks faced declining share prices and increasing liquidity pressures. When in the aftermath of the September 2008 collapse of Lehman Brothers, Ireland’s banks lost access to liquidity from abroad, it triggered a banking crisis in the country. In spite of various responses by the Irish government, the financial viability of Ireland’s banks (as well as the government’s fiscal position) continued to deteriorate in early 2009. The Irish government attributed the problem to impaired real estate assets sitting on bank balance sheets, which made it difficult for markets to believe that government’s upcoming capital injections would render the banks solvent. In response, the government created the National Asset Management Agency (NAMA), a majority privately owned asset management company (AMC), to remove these assets from the banks. The ownership structure was complex, being nominally privately owned so that NAMA would not appear on the government balance sheet. Most of the powers and benefits from ownership were structured so that they would accrue to the state. From its establishment under the NAMA Act on December 21, 2009, NAMA purchased assets with a face value of approximately €77.4 billion for €31.7 billion. As of December 31, 2018, it had disposed of all but €2.3 billion of these assets. NAMA was considered one of the best performing AMCs of the era and enjoyed an expansive legal mandate, but it was not sufficient to solve Ireland’s economic woes. Although NAMA was still operating as of 2019, it was projected to wind down by 2025 (having submitted a detailed wind-down plan by the end of 2021) and yield a profit of €4 billion.

\textbf{Key Words:} Asset Management Corporation, Bad Banks, Real Estate, Ireland, Guarantee, Housing Policy

\textsuperscript{1} This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering broad-based asset management company programs.

Cases are available from the \textit{Journal of Financial Crises} at https://elischolar.library.yale.edu/journal-of-financial-crises/.

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At a Glance

In late 2008, uncertainty stemming from the Global Financial Crisis (GFC) burst the real estate bubble supporting Ireland’s economy and triggered a banking crisis. Between September 2008 and April 2009, the Irish government responded with blanket guarantees, bank recapitalizations, and bank nationalization, but the financial viability of the banks (as well as the government’s fiscal position) continued to deteriorate. Government analysts traced the credibility problem to the impaired real estate assets populating the balance sheets of Ireland’s largest banks. On April 7, 2009 the government recommended that Ireland establish a centralized, majority privately owned asset management company, the National Asset Management Agency (NAMA), to remove these assets from the balance sheets and persuade the market that its banks were adequately capitalized. NAMA would then manage and dispose of these assets, aiming to optimize returns for the Irish public.

Ireland established NAMA on December 21, 2009, under the National Asset Management Agency Act 2009. NAMA eventually purchased assets with a face value of approximately €74.4 billion for €31.8 billion by issuing government guaranteed securities. Although NAMA did not prevent Ireland from requiring an EU-IMF Programme that began in November 2010, NAMA disposed of all but €2.3 billion in remaining assets by the end of 2018 and projected that it would return over €4 billion in profit to the taxpayers by the anticipated end of its life in 2025.

Summary Evaluation

The effectiveness of NAMA at stabilizing the Irish economy is uncertain. The consensus seems to be that NAMA was effective at performing the functions asset management companies are expected to perform. As a whole, NAMA was considered one of the more well-developed and commercially successful European asset management companies of the GFC era. Like the other interventions preceding Ireland’s eventual IMF-EU program, NAMA was not enough to solve Ireland’s financial problems. However, it was able to effectively carve out much of the toxic assets in Irish banks, making it possible to credibly recapitalize the banks. The problem was that Ireland did not have enough fiscal room to do this without an IMF-EU program. NAMA remained politically unpopular, having to grapple with the combination of a perceived transparency problem and early delays that further aggravated a sense of uncertainty.

Summary of Key Terms

<table>
<thead>
<tr>
<th>Purpose</th>
<th>To stabilize the Irish banking sector and restore “the flow of credit [...] while minimizing the risk to the taxpayer”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch Dates</td>
<td>April 7, 2009 (Announcement), December 21, 2009 (Start of operations) (First asset transfer took place between March 29, 2010 and May 10, 2010)</td>
</tr>
<tr>
<td>Wind-down Dates</td>
<td>NAMA did not have an initial wind-down date, but current policy is that NAMA’s would close by the end of 2025</td>
</tr>
<tr>
<td>Size and Type of NPL Problem</td>
<td>The government did not know the extent of the NPL problem in commercial loans until NAMA began asset purchases. NAMA purchased land and property development loans as well as any assets related to such loans (both commercial and residential)</td>
</tr>
<tr>
<td>Program Size</td>
<td>Not specified, but NAMA could issue up to €54 billion to purchase assets</td>
</tr>
<tr>
<td>Eligible Institutions</td>
<td>Any credit institution could apply to NAMA, but the Finance Minister ultimately decided which applicants were eligible</td>
</tr>
<tr>
<td>Usage</td>
<td>Assets with a face value of €74.4 billion purchased for €31.8 billion</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Projected surplus of over €4 billion at program termination</td>
</tr>
<tr>
<td>Ownership Structure</td>
<td>Public-private ownership (majority private)</td>
</tr>
<tr>
<td>Notable Features</td>
<td>Extensive legal authority (though committed to limit use), hedged risk of overvaluation with claw back mechanism, off-balance-sheet SPV structure</td>
</tr>
<tr>
<td>National Asset Management Agency (NAMA): Ireland Context</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
</tbody>
</table>
| GDP (SAAR, Nominal GDP in LCU converted to USD) | $276.5 billion in 2008  
$236.4 billion in 2009  
$222.5 billion in 2010 |
| GDP per capita (SAAR, Nominal GDP in LCU converted to USD) | $61,263 in 2008  
$52,105 in 2009  
$48,715 in 2010.  
As of Q4, 2008:  
Fitch: AAA  
Moody's Aaa  
S&P: AAA  
As of Q4, 2009:  
Fitch: AA-  
Moody's: Aa1 (negative outlook)  
S&P: AA  
As of Q4, 2010  
Fitch: BBB+  
Moody’s: Baa1  
S&P: A* |
| Sovereign credit rating (five-year senior debt) | $470.0 billion in total assets in 2008  
$42.7 billion in total assets in 2009  
$373.4 billion in total assets in 2010 |
| Size of banking system as a percentage of GDP | 169.94% in 2008  
177.85% in 2009  
167.84% in 2010 |
| Size of banking system as a percentage of financial system | 100% in 2008  
100% in 2009  
100% in 2010 |
| Five-bank concentration of banking system | 90.7% of total assets at the end of 2008  
90.8% of total assets at the end of 2009  
87.2% of total assets at the end of 2010 |
| Foreign involvement in banking system | 36.0% of total banking assets in 2008  
35.0% of total banking assets in 2009  
35.0% of total banking assets in 2010 |
| Government ownership of banking system | 0% at the end of 2008  
7.27% at the end of 2009  
20.69% at the end of 2010 |
| Existence of deposit insurance | Early 2008: 90% of deposits, maximum payout of $27,777.78 (€20,000)  
September 2008: $138,888.90 (€100,000), no co-insurance  
December 2008: Unlimited  
2009-10: $138,888.90 (€100,000), no co-insurance |

Sources: Bloomberg; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset; IMF International Financial Statistics.
I. Overview

Background

At the outbreak of the Global Financial Crisis (GFC), Ireland had a domestic banking sector that was at least twice the size of its GDP, an open economic model, and bank governance (as well as bank risk management) that was perceived as poor (Cas and Peresa 2016; Carroll and Dodd 2012). Although the economy had revolved around a real estate bubble for several years, the government was widely seen as fiscally prudent (having maintained years of balanced budgets and over a decade of surpluses) (IMF 2015). However, its relatively small economy depended on tax receipts structured around a set of pro-cyclical taxes that the Governor of the Central Bank of Ireland later said in 2010 “could leave Ireland vulnerable to a sudden crippling turnaround in the deficit and a rapid accumulation of debt” (Honohan 2010). These factors contributed to the GFC’s early and intense impact on the Irish economy after the fall of Lehman Brothers in September 2008. As liquidity disappeared and the property values buttressing the Irish economy collapsed, GDP shrunk rapidly in 2008 and 2009.

As the crisis began to spread, the government of Ireland sought to stem the contagion by announcing an ~€440 billion blanket guarantee (over double Ireland’s GDP) of virtually all the liabilities of six large domestic banks on September 30, 2008, called the Credit Institutions Financial Support Scheme (CIFS); (New Bagehot 2019).3 (See Figure 3.) However, the world gradually realized that these banks might have a solvency problem, not just a liquidity problem.

Figure 1: Republic of Ireland Property and GDP Data from 2005 to 2019

3 The six participating banks were Allied Irish Banks (AIB), Bank of Ireland (BOI), Anglo Irish Bank (ANGLO), Educational Building Society (EBS), Irish Life & Permanent (IL&P), and Irish Nationwide Building Society (INBS).
Uncertainty regarding the six banks’ potential losses continued to grow (Oireachtas Inquiry 2016; Schoenmaker 2015). This uncertainty began to weigh on the sovereign (IMF 2015, 51-52). In response, the Irish government nationalized Anglo Irish Bank, Ireland’s third largest bank, with a €4 billion capital injection on January 15, 2009. It also injected €3.5 billion into each of the two largest banks, Allied Irish Bank (AIB) and Bank of Ireland. The government capital kept Ireland’s domestic banks alive, but impaired real estate assets on their balance sheets continued to grow. This made raising capital from the private sector impossible, which in turn damaged their ability to make loans (Schoenmaker 2015; Quigley 2010). On the ground, these impaired real estate assets materialized in the form of incomplete developments and numerous properties in a legal limbo between default and foreclosure (Williams and Nedovic-Budic 2016).4

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4This was exacerbated by the fact that the Irish legal system for collecting on real estate collateral/dealing with residential mortgages in arrears was “characterised by difficulties in collateral realisation and numerous court adjournments” (See Cas and Peresa 2016).
Figure 2: Irish sovereign bond yields diverging from the European baseline (Germany) during the Global Financial Crisis

Source: GFD Finaeon.

Policymakers believed the impaired real estate assets were toxic to the banks and would continue to rattle the markets until the losses associated with the assets became clear. In March 2009, Economist and Special Advisor to the government’s National Treasury Management Agency (NTMA)\(^5\), Peter Bacon, proposed that the government solve the problem by creating a “bad bank,” an asset management company that would “carve out [the relevant] impaired assets from [...] the domestic banks” (Cas and Peresa 2016; Bacon 2009a; NAMA Business Plan 2010, 7).

The government rejected relying on recapitalization alone as the “do nothing” option that “would not address the liquidity shortage or promote new lending” and “would increase the risk of sovereign default” (Oireachtas Inquiry 2016). Bacon conceded that an asset guarantee had the advantage of “no money upfront from government; no write down in banks’ balance sheet assets.” But he argued that the increasing uncertainty (as well as the increasingly negative market response) related to the €440 billion CIFS guarantee had increased the

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\(^5\) The NTMA is the Irish government agency that was responsible for managing the government’s assets and liabilities (NTMA 2019)
government’s borrowing costs. He noted that “the credit rating of sovereign Ireland [...] [became] inextricably bound up with the issue of Irish banks capital adequacy” (Bacon 2009).

According to Bacon, government officials acknowledged that the asset-management approach would increase the government deficit and impose write-downs on banks that could “adversely impact equity investors and may require them to recapitalize.” Still, they decided on this approach because it would (Bacon 2009):

- immediately “deal with the impaired property loans on the books” of the institutions covered by CIFS, which Bacon said “needed to be removed from the institutions before lending in the economy could resume;”
- “improve liquidity by giving the institutions collateral in the form of Government bonds that could be used to access ECB funding;”
- create “greater impartiality for working out problem loans,” which “might break ‘crony capitalist’ connections that otherwise impede efficient transfers of assets from powerful enterprises” and “address public suspicion regarding the relationships between the banks and developers;”
- be able to “manage the assets without the focus on impairment disclosure that the banks face;” and,
- allow the banks something akin to a fresh start that would “allow management time to be refocused on rebuilding strength particularly in core retail businesses and maintaining their deposit bases” (Oireachtas Inquiry 2016).

On April 7, 2009, the Minister for Finance announced that the Irish government would establish a “National Asset Management Agency [...] to address the issue of asset quality in the banking system.” The Irish government then held public consultations on draft legislation during the August recess of the Oireachtas, Ireland’s parliament (Connolly 2017, 8). The National Asset Management Agency Act 2009 (the NAMA Act) was introduced in the Oireachtas on September 8, 2009, and pre-notified to the EC on September 29, 2009 (NAMA Act 2009 2009; European Commission February 26, 2010). In the Oireachtas, the NAMA Act passed by a narrow margin on October 15, 2009, following a debate that involved an all-night session of the House (Connolly 2017). It was then signed into law by the President on November 22, 2009, formally established via a statutory instrument on December 21, 2009 (S.I. No. 547 2009), and notified to the EC for approval under EU guidelines on impaired asset relief for banks as well as compliance with EU State aid rules on December 23, 2009 (NAMA Act 2009 2009; Oireachtas 2009; European Commission February 26, 2010). The EC approved NAMA on February 26, 2010, but required that the valuation and transfer of each tranche of assets to NAMA had to be notified to and reviewed by the EC (European Commission February 26, 2010). The Minister for Finance and the Board of NAMA also fleshed out NAMA’s features through numerous statutory instruments, guidelines, directions, and Codes of Practice over NAMA’s first few years (Oireachtas 2009; National Asset Management Agency [Conferral Of Additional Function] Order 2010; National Asset
Management Agency [Determination Of Long-Term Economic Value Of Property And Bank Assets] [Amendment] Regulations 2010.

**Figure 3: Major Financial Institutions based in Ireland as of 2008**

<table>
<thead>
<tr>
<th>Institution Name</th>
<th>Total Assets (billions of Euros)</th>
<th>Market Share</th>
<th>Notable public stake as of NAMA's start</th>
<th>Foreign-Owned</th>
<th>CIFS Participant</th>
<th>NAMA Participant (and NAMA Applicant)</th>
<th>Liquidated under IBRC Act 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Ireland</td>
<td>194.1</td>
<td>26.5%</td>
<td>€3.5 bn (preference Shares)</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>Allied Irish Banks</td>
<td>179.5</td>
<td>24.5%</td>
<td>€3.5 bn (preference Shares)</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>Anglo Irish Bank</td>
<td>88.5</td>
<td>12.1%</td>
<td>100%</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Irish Life &amp; Permanent</td>
<td>74.3</td>
<td>10.1%</td>
<td>N/A</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Bank of Scotland</td>
<td>54.1</td>
<td>7.4%</td>
<td>N/A</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Ulster Bank</td>
<td>48.7</td>
<td>6.6%</td>
<td>N/A</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>National Irish Bank</td>
<td>28.2</td>
<td>3.8%</td>
<td>N/A</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>EBS</td>
<td>21.4</td>
<td>2.9%</td>
<td>N/A</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>KBC</td>
<td>21.1</td>
<td>2.9%</td>
<td>N/A</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>INBS</td>
<td>14.4</td>
<td>2.0%</td>
<td>N/A</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>ACCBank</td>
<td>8.4</td>
<td>1.2%</td>
<td>N/A</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

*Sources: Author’s Calculations; New Bagehot 2019; Oireachtas Inquiry 2016.*

**Program Description**

NAMA’s overarching purposes and goals were set down in the NAMA Act (National Asset Management Agency Act 2009, Revised 2018). NAMA’s mandate (which NAMA refers to as its purpose) was set down in the NAMA Act. NAMA’s overarching mandate was to stabilize the Irish banking sector and restore “the flow of credit [...] while minimizing the risk to the taxpayer” (NAMA 2009). The NAMA’s foundational legislation listed six aspirational goals for NAMA:

- Clarify and force the write-downs of losses related to certain assets on the balance sheets of systemically important organizations (Ireland’s largest domestic banks);
- Remove uncertainty about bad assets, improving the availability of credit in Ireland;
● Protect the State’s interest in respect of its liability guarantees;

● Protect taxpayers by facilitating the restructuring of credit institutions of systemic importance to the economy;

● Restore confidence in the banking sector;


In its first annual report, NAMA described three goals it had set to accomplish the mandates the government had given it:

● identify and expeditiously buy eligible impaired assets from participating credit institutions;

● protect (and enhance if possible) the value of those assets in the interest of, and finally get the “best possible achievable financial return” for, the Republic of Ireland; and

● recover all taxpayer payments for the assets as well as whatever NAMA invests to enhance the property assets underlying those assets (NAMA Annual Report 2010).

NAMA was a statutory body and operated under the aegis of the Department of Finance's National Treasury Management Agency (NTMA). The NTMA was the Irish government agency that was responsible for managing the government’s assets and liabilities (NTMA 2019; NAMA Annual Report 2010). The NAMA Act gave the agency “all powers necessary for, or incidental to, the achievement of its purposes and the performance of its functions.” The Act forbade NAMA from violating the laws of any jurisdiction. It also required NAMA’s property development activities to follow “proper planning and sustainable development as expressed in Government policy and in any relevant regional planning guidelines [...] and development plans” (National Asset Management Agency Act 2009, Revised 2018).

As can be seen in Figure 4, NAMA operated through special purpose vehicles (SPVs) to keep its liabilities off the government’s balance sheet. NAMA set up some of these SPVs under Section 110 of Ireland’s Taxes Consolidation Act 1997 to minimize its tax burden (NAMA Acquisition of Bank Assets 2010). The parent SPV (National Asset Management Agency

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6 On a regulatory level, NAMA wasn't classified as a bank and various parts of Irish competition law didn’t apply to it (National Asset Management Agency Act 2009, Revised 2018)

7 NTMA provided (or procured) business, support, and IT services and systems to NAMA in addition to staff that would serve as "officers" within NAMA. However, NAMA staff had to conform to the requirements for Members related to disclosure and eligibility for acting as a director of a company outlined in the NAMA Act (National Asset Management Agency Act 2009, Revised 2018)

8 For more detail on the difference between NAMA's purposes, the purposes of the NAMA Act, and NAMA's functions, see the NAMA Act's preambulatory clauses/recitals section, Section 10 of the Act, and Section 11 of the Act.

9 The use of Section 110 companies in this manner was allowed under the relevant tax legislation and not uncommon for financial companies in Ireland at this time.
Investment Ltd., called NAMAIL or the Invest Co.) had an initial capitalization of €100 million and was 51%-owned by private investors and 49%-owned by NAMA (Martin 2010). However, NAMA’s liabilities dwarfed its capital. The 51% private equity holders had little influence on NAMA and their return on equity was capped at 10% above the yield on Irish government 10-year bonds (Braakman and Forster 2011).

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10 The use of Section 110 companies in this manner was allowed under the relevant tax legislation and not uncommon for financial companies in Ireland at this time.
Figure 4: NAMA’s Corporate Structure


Application Process

Once NAMA was established (on December 21, 2009), any credit institution, including Irish subsidiaries of foreign credit institutions, that wished to participate had 60 days (until February 19, 2010) to apply (Martin 2010). Five of the six major banks that participated in
Ireland’s liability guarantee applied to NAMA for assistance. The sixth, IL&P, was heavily exposed to the real estate industry and was dependent on wholesale funding, like the others. However, 85% of its assets were residential rather than the commercial properties on which NAMA focused. It based its decision on each bank’s systemic importance, financial position, and compliance with all NAMA obligations (National Asset Management Agency Act 2009, Revised 2018; Oireachtas Inquiry 2016a).

Identifying Eligible Assets

The Minister for Finance defined eligible bank assets using several criteria. The program accepted “all loans issued for the purchase, exploitation or development of land as well as loans either secured or guaranteed by land” and “some of their associated commercial loans.” The program also accepted “financial contracts between a debtor and a participating bank [...] that relate in whole or in part to acquired loans” (i.e. derivatives). Upon being admitted into the NAMA program, participants would identify all their eligible bank assets for NAMA. They would do this using a set of standardized templates that outlined legal due diligence, information about current market value of collateral, etc. (NAMA Acquisition of Bank Assets 2010). NAMA also based its determination of whether an asset was eligible on “borrower relationship level impairment” rather than asset level impairment. The Irish authorities expected eligible assets to be “concentrated on a small number of very large real estate developers, involved across the whole cycle of property development” (Martin 2010, 5).

NAMA then determined which eligible assets it would acquire. In its October 13, 2009, Draft Business Plan, NAMA estimated that there were eligible assets with an initial book value of

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11 The Financial Regulator, alternatively the Irish Financial Services Regulatory Authority, was Ireland’s single financial regulator. It existed beneath the Central Bank of Ireland (though it had its own governance structure with a separate board from the central bank) until October 2010, when its functions were officially absorbed by the Central Bank of Ireland and the Financial Regulator dissolved (See “Financial regulation”, Citizens Information; https://www.citizensinformation.ie/en/consumer_affairs/financial_services/financial_products/financial_regulator.html; Honohan 2019)

12 “Borrower relationship level impairment” refers to analysis looking at the extent that liabilities under various loans born by individual borrower were larger than the value of its underlying assets first instead of looking at the loans from an institution-by-institution point of view, which would ignore situations where one institution was not impaired (because they may have held a first lien mortgage) while multiple other institutions which had given the borrower things like a second mortgage or a line-of-equity were impaired. (See http://ec.europa.eu/competition/state_aid/cases/234489/234489_1086237_117_2.pdf)
approximately €77 billion available and a current market value of approximately €47 billion. NAMA projected it would pay €54 billion in consideration for these assets, based on an estimate of their long-term economic value (NAMA Business Plan 2009).

Valuation and Transfer

Participants would give NAMA additional due diligence reports and other information necessary for valuing the assets as well as the assets’ underlying security. After having appointed experts to review the information for completeness, NAMA transferred the information to a panel that would actually conduct the valuation. The panel then used discounted cash-flow models set down by the government to calculate the current market value of the underlying property and assets as of November 30, 2009. The panel also calculated the “Long Term Economic Value” of the underlying property and assets, which involved a 0-25% positive adjustment to the loan’s value. There was also a 20% limit on the extent to which the aggregate long-term economic value calculated for all land valued in connection to a given participant’s portfolio could exceed the portfolio’s aggregate market value (NAMA Acquisition of Bank Assets 2010).

Once the panel of loan valuers arrived at a valuation, NAMA grouped the assets based on their shared relationships with a given borrower rather than by bank and sorted them into tranches for transfer (each tranche would contain all of the loans related to a certain set of borrowers across multiple participant institutions). Each additional tranche contained a larger number of borrowers with smaller positions. NAMA determined a transfer schedule for each tranche and provided it to the relevant participants. This transfer schedule set down the assets that NAMA would acquire from the relevant participant and the consideration price NAMA would pay, which would be “the lower of the amount owed by the borrower and the loan’s long-term economic value” (NAMA Acquisition of Bank Assets 2010, 13). Within 20 days of providing the participants with the transfer schedule, the assets would be transferred to NAMA (National Asset Management Agency Act 2009, Revised 2018, PDF Page 74-75).

Alongside the transfer, NAMA’s Master SPV would issue government-guaranteed securities worth 95% of the price it intended to pay for acquiring the relevant assets and perpetual unguaranteed subordinated debt (effectively equity) worth 5% of the price it intended to

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13 For most of the loans (those related to borrowers that did not hold the top 150 largest positions in NAMA) experts were likely drawn from the participant banks, who were to set up specialized divisions that would “assess and value the loans to be transferred” (Frank Connolly NAMA Land. 2017. Page 14-15). NAMA’s panel for valuing the loans was composed of personnel from Alvarez and Marsal, Ernst and Young, FTI Consulting Ltd, PricewaterhouseCoopers, and UHY Hacker Young LLP. (See https://web.archive.org/web/20151016162759/https://www.nama.ie/fileadmin/user_upload/documents/Procurement/ContractAwardLoanAssocValServices.pdf.) NAMA relied on Societe Generale Securities Services (SGSS) for external experts on valuing derivatives associated with the loans. (See https://web.archive.org/web/20151016152359/https://www.nama.ie/about-us/our-work/procurement/.) For the underlying real estate, NAMA appointed seven different five-organization-panels, each corresponding to a certain geography. (See https://web.archive.org/web/20151016162740/https://www.nama.ie/fileadmin/user_upload/documents/Procurement/ContractAwardRealEstatePanel.pdf.)
pay for acquiring the relevant assets. The Acquirer Co. would then purchase the assets by using these securities (Carroll and Dodd 2012; Boudghene and Maes 2012). (See Figure 5.) The participating institution could then use the government guaranteed securities as collateral to obtain cash from the European Central Bank and redeem the subordinated debt based on NAMA’s financial performance (NAMA Acquisition of Bank Assets 2010).

Before the NAMA Act of 2009 was passed, NAMA estimated the first transfers would begin by December 2009 (NAMA Business Plan 2009). By February 2010, EC documents estimated that transfers wouldn’t begin until the end of that month. During its initial approval of NAMA, the EC estimated that NAMA would complete the transfers approximately seven months after the EC authorization, placing the expected date of the last transfer somewhere in late September 2010. NAMA revised its estimate for this end-date several times between 2009 and 2011, having initially estimated that purchases would take less than a year (Martin 2010).

**Figure 5: NAMA’s Operating Model**

| Source: Boudghene and Maes 2012, 789. |

**Asset Management**

Upon acquiring its assets, NAMA would require each relevant borrower to produce a business plan that outlined the borrower’s financial position and strategy for repayment (NAMA Management of Loans 2012). NAMA (or, where NAMA delegated portions of this task, a participant) would review the business plan and could work with the borrower to decide how the assets would be managed. This process might result in an agreement, a term sheet, an MOU, or a number of other instruments that could contain terms setting down “a new repayment schedule, restructuring or revision of the loans and/or a program of early disposal.” Alternatively, this process could also result in NAMA enforcing against a borrower (Carroll and Dodd 2012).

NAMA expected to delegate asset management duties for the vast majority of its assets to participating banks (Connolly 2017). It also expected that it would manage the assets related to the “largest 100/150 borrowers” itself, which made up 80% of the value of the assets acquired. NAMA intended to monitor these large borrowers directly and leave the administration of their loans with the participants. For the rest of the borrowers, the participants would handle much of the monitoring and administrative duties. However,
these participants would ultimately submit information on the borrower’s performance history and the level of impairment of their loans to NAMA for oversight (NAMA Business Plan 2009).

**Funding Source and Estimated Returns**

NAMA could fund itself by issuing debt securities for the purchase of assets or it could be funded through the actions of the Minister for Finance or the actions of private sector investors. The Minister for Finance could issue debt securities or lend money to NAMA from the government’s Central Fund (Carroll and Dodd 2012). NTMA provided NAMA with “treasury services and advice” in connection with these actions (National Asset Management Agency Act 2009, Revised 2018).

There was a €54 billion cap on the amount of debt that NAMA could use for acquiring bank assets and a €5 billion principal cap on the amount of debt NAMA could have outstanding for all other purposes. This borrowing was expected to be done via the issuance of commercial paper, not via loans from the Irish government. The NAMA Act allowed NAMA to pay up to 5% of the consideration cost (the cost of acquiring assets) by issuing subordinated debt (National Asset Management Agency Act 2009, Revised 2018). NAMA would pay for the other 95% of the consideration cost using state guaranteed debt securities (later referred to as NAMA’s senior bonds) (NAMA Brief Guide 2010). The subordinated debt carried an interest rate linked to the Irish 10-year Government Bond Yield while the interest rate of the guaranteed debt securities was set at the six-month Euribor (NAMA Acquisition of Bank Assets 2010).

**Disposal Strategy and Timeline**

NAMA estimated that it would manage the assets it acquired for 7-10 years, but (NAMA Brief Guide 2010) NAMA and the EC did not envision when NAMA would start disposing of assets or when said disposals would conclude (beyond NAMA’s expected December 21, 2020 termination date) (National Asset Management Agency Act 2009, Revised 2018). NAMA’s draft business plan did not contain a disposal policy. Its policy as of June 2010 was to “reflect market conditions in its decision as to whether to sell individual properties with the goal of disposing of assets in a phased and orderly manner.” NAMA emphasized that it would “not engage in any speculative hoarding of assets” (NAMA Business Plan 2010). Beyond this, the NAMA Act specified two approaches to disposal. One was conventional disposal “in the market for the best achievable price” (Carroll and Dodd 2012). The other involved the securitization or refinancing of loans (Carroll and Dodd 2012).

**Powers**

NAMA enjoyed extensive powers to carry out its mandate, having been provided with “all the powers necessary or expedient for, or incidental to the achievement of its purposes and the performance of its functions” under the NAMA Act (NAMA Progress Report 2014). The Act also specified a number of NAMA’s powers, which included but were not limited to modified legal procedures, an ability to conduct compulsory land acquisitions, and a capacity
to unilaterally amend loans (Martin 2010). NAMA also could compel applicants and participants to provide NAMA with information that it deemed relevant. It had the ability to enforce the disclosure of information through the High Court (Carroll and Dodd 2012).

As part of its submissions to the EC, the Irish government committed NAMA to use many of these powers sparingly and to report annually to the EC about their use. The powers in question tended to be those that circumvented or modified law related to real estate and creditor-debtor relations (Martin 2010, 18-19).

**Governance**

NAMA was governed by a nine-member board, including two ex-officio members (Braakmann and Forster 2011). The board’s role was to ensure that NAMA performed its functions effectively. The board set the strategic objectives and targets and ensured that appropriate systems and procedures were in place (Carroll and Dodd 2012). In general, members of the Board served five-year terms and could not serve more than two consecutive terms (National Asset Management Agency Act 2009, Revised 2018).

NAMA’s statute required that it prepare and publish online codes of practice that outlined various elements of its operations, which would then be approved (or modified/sent back for revision in cases where the Minister did not approve of them) by the Minister for Finance (National Asset Management Agency Act 2009, Revised 2018).

The EC decision, the National Asset Management Agency 2009 Act, and the regulations put forward under said Act subjected NAMA to several forms of additional oversight. While the Minister of Finance enjoyed oversight over NAMA through NAMA’s requirement that it issue annual statements and accounts to them, the Oireachtas had oversight over NAMA through the requirement that NAMA issue periodic reports on its activities and subject itself to auditing reports, and by bringing NAMA’s executives before legislative committees (National Asset Management Agency Act 2009, Revised 2018).

The EC maintained external oversight through the requirements that NAMA report to the EC every six months on restructuring plans and the functioning of the program, report to the EC and Irish competition authorities each year on the “use of NAMA’s post acquisition powers,” and notify the EC of each tranche of assets’ valuation/transfer (Martin 2010).

NAMA had a mandate to operate “in a transparent manner [...] to the extent that to do so [was] consistent with the proper and efficient and effective discharge of” its functions (National Asset Management Agency Act 2009, Revised 2018). NAMA also had to work with stakeholders across multiple legal jurisdictions while attempting to secure the best possible

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14 IRELAND COMMITTED THAT NAMA WOULD CONSULT WITH THE EC ON WHEN IT WOULD BE APPROPRIATE TO USE ITS POWER TO UNILATERALLY AMEND CONTRACTS (MARTIN 2010).

15 NAMLY, THE “CONDUCT OF OFFICERS OF NAMA (WHICH ALSO DEFINED WHAT CONSTITUTED MISCONDUCT IN OFFICE) [...] SERVICING STANDARDS FOR ACQUIRED BANK ASSETS [...] [...] RISK MANAGEMENT, INCLUDING WITH REGARD TO DEBTORS [...] [...] DISPOSAL OF BANK ASSETS [...] [...] AND ANY OTHER MATTER IN RELATION TO WHICH THE MINISTER DIRECTS NAMA TO PREPARE A CODE OF PRACTICE” (CARROLL AND DODD 2012).
return for the taxpayer from its assets. It tended to follow confidentiality policies similar to traditional banking practices and also had to comply with the provisions of the Official Secrets Act 1963 (NAMA Annual Report 2010). Its operations reflect this tension. For example, a large portion of NAMA’s information was categorized as “confidential information” under the NAMA Act and therefore was not available to the public (National Asset Management Agency Act 2009, Revised 2018).

Coordination with other Programs

NAMA’s operations were coordinated with two other Irish government programs. First, NAMA was coordinated with a set of capital injections for participating institutions (NAMA Business Plan 2009). Second, NAMA coordinated with various social policies by disposing of certain properties through sales to “public bodies and [...] local authorities or housing associations for social housing” (NAMA Progress Report 2014). This was under its mandate “to contribute to the social and economic development of the state.”

Outcomes

Initial Implementation and Flesching out the Program (2009-11)

Five banks ultimately applied for (and were approved for) participation in NAMA: Bank of Ireland (BOI), Allied Irish Banks (AIB), Anglo Irish Banking Corporation Ltd (ANGLO), Irish Nationwide Building Society (INBS), and Educational Building Society (EBS). All these banks were covered by the 2008 blanket guarantee program. During (and after) this application period, NAMA conducted due diligence on its largest borrowers, but realized that due diligence (and thus the asset purchase process) would take significantly longer than initially anticipated. NAMA’s external auditor attributed this delay to problems with the documentation quality of NAMA’s participants (NAMA Progress Report 2014). Part of this delay also had to do with the EC’s demand that NAMA calculate the haircuts in each tranche on a loan-by-loan level, which prompted repeated complaints from Irish officials (Honohan 2019).

After obtaining approval from the EC in early 2010, NAMA finally began transferring assets (NAMA Progress Report 2014). The process proceeded as follows in Figure 6.

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16 For examples see cases like SHELBOURNE NORTH WATER STREET CORPORATION v. NATIONAL ASSET MANAGEMENT AGENCY, et al.
## Figure 6: Tranche Data

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Date of First Purchase</th>
<th>Date of Final Purchase</th>
<th>Date of EC Approval</th>
<th>Price Paid by NAMA for Loans (€ billions)</th>
<th>Average Discount Percentage (Haircut)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranche 1</td>
<td>March 29, 2010</td>
<td>May 10, 2010</td>
<td>August 3, 2010</td>
<td>7.5</td>
<td>51%</td>
</tr>
<tr>
<td>Tranche 2</td>
<td>July 2010</td>
<td>August 23, 2010</td>
<td>November 29, 2010</td>
<td>5.3</td>
<td>56%</td>
</tr>
<tr>
<td>Tranches 3-9</td>
<td>July-September 2010</td>
<td>March 2012</td>
<td>July 29, 2014</td>
<td>18.9</td>
<td>60%</td>
</tr>
<tr>
<td>(the “bulk” tranche)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>March 29, 2010</td>
<td>March 2012</td>
<td>July 29, 2014</td>
<td>31.7</td>
<td>57%</td>
</tr>
</tbody>
</table>


Certain notable borrowers began litigation against NAMA almost immediately after the NAMA Act passed (Connolly 2017). Some developers contested NAMA’s attempts to acquire assets that were arguably performing (Supreme Court of Ireland 2010). This and other disputes resulted in instances of civil litigation during that time (Connolly 2017).

The property development market suffered through twelve months of uncertainty about the rollout and direction of NAMA. There was “a complete lack of liquidity” and industries related to property development “absolutely stopped” from NAMA’s April 7, 2009 announcement until the first transfers of assets began in late March 2010. A number of property developers appeared not to know what the impact of NAMA on the property market would be (Oireachtas Inquiry 2016; Oliver and O’Hora 2010).

In mid-2010, data from the first tranche of assets indicated that NAMA’s assumptions (as well as estimates provided by banks to NAMA) related to loan-to-value (LTV) ratios and income producing loans continued to be overly optimistic (NAMA Business Plan 2010).

As NAMA had grappled with larger than expected haircuts and non-performing loans in May 2010, the Head of Treasury\(^\text{17}\) presented a paper stating that “in the short-term, up to October 2010, NAMA was likely to require additional funding of up to €250 million” and accordingly recommended that NAMA adopt an additional funding strategy. Upon receiving a suggestion from the Head of Treasury, NAMA resolved its short-term funding problems by requesting

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\(^{17}\) The Head of Treasury was one of NAMA’s executives at the time.
that the Minister for Finance approve a €250 million loan from the Central Fund. This loan would be used “to create a [temporary] liquidity buffer” until NAMA implemented more long-term funding strategies. The Head of Treasury suggested that NAMA achieve this through two borrowing programs that would each net a maximum of €2.5 billion for NAMA.\footnote{This €2.5 billion was half of NAMA’s statutory limit of €5 billion for other borrowings.} One program, called the ECP programme, would issue Euro Commercial Paper (ECP) with maturities of less than one year to help fund a liquidity buffer. The other program, to be called the Euro Medium Term Note (EMTN), would issue Euro Commercial Paper with one to two year maturities to finance various NAMA projects (NAMA Acquisition of Bank Assets 2010). However, NAMA did not end up issuing any paper under these programs and repaid its €250 million loan from the Central Fund on October 27, 2010. This was because NAMA was able to build up enough operating funds and revenues (NAMA Annual Report 2010).

The larger than expected haircuts dealt a blow to confidence in Irish banks, as the banks’ new capital requirements were premised on the assumption that the haircuts for later tranches would be similar to those of Tranche 1. The markets realized that the banks were undercapitalized and the Irish government did not have much fiscal room. From May, Irish sovereign bond spreads steadily climbed (See Figure 2). In an effort to salvage the situation, officials sought and obtained clearance for a more simplified valuation procedure that would allow NAMA to announce the haircuts for the remainder of its purchases by September (Honohan 2019).

NAMA responded to these problems with the release of its first official business plan on June 30, 2010. This June 30 plan set down new projections based on multiple scenarios and relied on less optimistic (taking the first tranche to be representative of NAMA’s remaining assets) assumptions about the quality of NAMA’s assets. This plan also made a number of changes to NAMA’s operations and elaborated several of its existing policies. These pointed to the organization’s efforts to adjust to the less optimistic environment while mitigating its reputational risks (see below). Overall, these tended to make NAMA more directly involved in the restructuring process and the underlying management of real estate (NAMA Business Plan 2010; NAMA Management of Loans 2012).

The 2010 Business Plan included the following operational changes, that is, reversals of existing policies or wholly new policies. First, NAMA indicated that it would only manage the largest 100 debtors directly, but did not discount the possibility of adding to that number (NAMA Business Plan 2010). NAMA decided that it would acquire its participants’ €14 billion in derivatives associated with its acquired loans (which primarily took the form of interest rate swaps and were mostly owned by the already nationalized Anglo Irish Bank), a substantial number of which were non-performing, for €0 (Clerkin 2010; NAMA Annual Report 2011; NAMA Business Plan 2010; Foxe 2018).\footnote{However, there does not seem to be enough information to decisively conclude why NAMA paid nothing for these derivatives.} NAMA also noted that it would exclusively offer certain properties to public sector bodies at its independently appraised “minimum reserve price” for four weeks (“subject to a definite decision, contract and closing
period of 90 days”) before accepting offers from the larger market.\textsuperscript{20} NAMA’s Board also set targets for paying down NAMA’s debt fully by 2019,\textsuperscript{21} in line with its goal of collecting funds owed by all debtors “to the greatest extent feasible.” Additionally, NAMA would advance additional funds to debtors on a risk adjusted basis as needed “to preserve or enhance property or complete developments which make economic sense” (NAMA Business Plan 2010).

NAMA put forward several policies one might associate with moral hazard reduction. It resolved to foreclose on debtors that “are not in a position to service their debts and are not considered to be viable in the context of the debtor business plan process”. NAMA also declared it would only collaborate with debtors that were being “realistic in terms of asset funding and of the lifestyle implications for them of NAMA support.” These debtors would also have to accept “close monitoring” by NAMA if collaboration were to be successful (NAMA Business Plan 2010).

\textbf{Ireland runs out of fiscal space}

In July, NAMA started completing and releasing haircuts for its remaining tranches, which later became known as the “bulk tranche.” This did not stop the rising sovereign bond spreads and the outflows of deposits. The sovereign-bank doom loop intensified in August and September as banks drew more and more funding from the central banking system. On November 4, the government began communications with the IMF; on November 14 the government started talks with the EC. The Irish government asked for bail-out funding from the Troika in December 2010 (Honohan 2019).

\textbf{NAMA Begins Asset Management, Restructuring, and Disposal Operations}

By the end of December 2010 NAMA had already sold around €400 million in assets, but recorded an overall loss of €1.2 billion since its establishment. As NAMA implemented its June 30, 2010 Business Plan, the debtor business plan process was changed to result in agreements with NAMA where the debtor would commit to reduce its debt by 25% by 2013. Under these agreements, debtors would also commit to adhere to “a schedule of additional repayments at various stages over a period of up to eight years.” In return, NAMA would help the business restructure the debt into three different loans\textsuperscript{22}, sometimes containing profit-sharing provisions tied to the business plan’s various milestones” (NAMA Annual Report 2010).

\textsuperscript{20} The “minimum reserve price,” is a term of art in the Irish real estate market defined as “the lowest price that the vendor is prepared to accept for the property” was a determined through an independent appraisal (See NAMA Business Plan 2010 and A word to the wise, September 22, 2011, The Irish Times, Pat Igoe, https://www.irishtimes.com/life-and-style/homes-and-property/a-word-to-the-wise-1.606309)

\textsuperscript{21}25% paid by 2013, 40% paid by 2015, 80% paid by 2017, 95% paid by 2018, and 100% paid by 2019.

\textsuperscript{22} The first of these loans would be an interest-bearing debt bearing an interest rate of the six month Euribor plus 2.5%. The second of these would be a “non-interest bearing debt [...] with a back-end fee of up to 25% payable to NAMA.” The third of these would be debt bearing an interest rate of “up to 4%” above Euribor arising from “new loans advanced for working capital and capital expenditure” (See NAMA Annual Report 2010).
In 2011, asset sales related to NAMA began to accelerate (see Figure 7). There was €3.6 billion in asset sales, NAMA began to report a yearly profit, and NAMA redeemed €1.3 billion of its senior bonds (NAMA Annual Report 2012). The organization conducted due diligence on the vast majority of the assets it had acquired. It began intensifying its efforts to assess debtor business plans, a stepping stone on the way to asset management and disposal (NAMA Annual Report 2011). NAMA finished valuing its assets in March 2012 (NAMA Progress Report 2014).

**Figure 7: Comparing the Disposal Rate of Three Western European Bad Banks**

As the European economic environment continued to deteriorate in mid-2011, and Ireland progressed through an EU-IMF financial assistance program, NAMA began reorganizing its operations from a focus on asset acquisition to a focus on asset management and disposal (NAMA Annual Report 2012; European Commission 2019). Among the first of NAMA’s actions in this process was the decision to begin outlining and implementing terms for selling its loans as packages to larger investors (NAMA Second Progress Report 2018).

**Asset Management and Disposal Operations (2012 to 2019)**

In March 2012, NAMA revised its business plan again as part of a “reorganisation of functions.” The revised plan changed the projected redemption date (the date at which NAMA would redeem its senior bonds) from 2019 to 2020. It also decreased the 2014-2016 debt redemption targets (the amount of senior debt to be repaid over the period) by around €3 billion (to €8 billion). Additionally, the new plan changed the €13 billion 2017-2019 debt redemption target into a 2017-2020 debt redemption target of around €16 billion. Under the plan, NAMA consolidated several departments into two integrated divisions (the new Asset Management and Asset Recovery divisions). NAMA also added a commitment to “recover all State costs over the projected ten-year life of NAMA without recourse to further borrowing, meeting all of its future commitments out of its own resources, over the shortest possible time span” (NAMA Progress Report 2014; NAMA Annual Report 2012).
In April, NAMA decided to revise its enforcement of Section 172 of the NAMA Act (NAMA Second Progress Report 2018). Section 172 prohibited “any interest in property held as security for loans acquired by NAMA from being sold back to defaulting debtors, or persons acting on behalf of defaulting debtors” (Houses of the Oireachtas 2019). There were exceptions to Section 172 for sales by a borrower or receiver and sales of loans (rather than sales of property or interests in property). NAMA provided for other exceptions to it on a case-by-case basis when the application of the policy conflicted with NAMA’s goal of “achieving the best financial return.” In the following months, NAMA also introduced several smaller initiatives focused on providing vendor finance for commercial property and deferred payment mortgages for accessible housing (NAMA Second Progress Report 2018).

NAMA was drawn into the collapse of Anglo Irish Bank and INBS in 2013. Between 2009 and late 2010, the Irish government realized that the larger than expected haircuts would severely damage the participants, some of which the Irish government de facto owned (INBS and Anglo Irish Bank) as a result of capital injections. In the case of INBS, first tranche discounts of up to 70% depleted the bank’s regulatory capital, forcing the government to state “publicly that it did not have a future as a stand-alone entity” (Murphy 2013). Anglo and INBS were then forced to merge to become the Irish Bank Resolution Corporation (IBRC) following a July 1, 2011 order from the High Court requested by the Minister for Finance (Central Bank of Ireland 2015). IBRC continued its business until February 7, 2013, when the Irish government implemented the Irish Bank Resolution Corporation Act 2013. Under this act, IBRC entered special liquidation (Oireachtas Inquiry 2016; Oireachtas Inquiry 2016a). The government decided that NAMA would receive any commercial and residential loans that “remained unsold after the special liquidators had completed a loan valuation and sales process”. The Minister for Finance then facilitated this by ordering NAMA to use National Asset Resolution Limited (NARL), NAMA’s newly created subsidiary, to extend a loan to IBRC from the Central Bank of Ireland. This loan had been secured by a “floating charge over certain IBRC assets.” NAMA paid for this facility by issuing €12.9 billion in government guaranteed bonds via a subsidiary and subsequently supported this arrangement by providing the Special Liquidator with a working capital lending facility. However, by April 2014 the Special Liquidators announced that they were able to generate enough revenue from their asset sales to pay its debt to NAMA; the Special Liquidators fully repaid the debt on October 21, 2014 (NAMA Second Progress Report 2018). No IBRC assets were ultimately transferred to NAMA.

At some point in this period, NAMA finished disposing of most of its non-Irish assets (See Figure 10 and Figure 11). An audit report noted that “NAMA’s principal focus from 2014 to 2020 will be in [the Republic of] Ireland, where it has projected that almost 60% of property disposal receipts will arise” (NAMA Progress Report 2014). NAMA had accelerated its asset disposal timeline, adjusting its “internal targets for cash generation and debt redemption” accordingly (NAMA Second Progress Report 2018). During this process, NAMA packaged and sold a number of its loans related to property outside of the Republic of Ireland, largely in

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23 Both banks already been nationalized and were moving toward resolution (See Figure 8).
24 Which was signed by the President on February 7, 2013 (Oireachtas Inquiry 2016a)
25 NARL earned NAMA €164 million in profit during its operations
Britain. One package associated with NAMA’s remaining loans in Northern Ireland that was sold in 2014, Project Eagle, accounted for most of NAMA’s losses in 2014 (in which NAMA itself made a loss) (C&AG 2016). Various political figures soon began to make allegations of corruption related to Project Eagle, triggering parliamentary inquiries into NAMA’s strategy as well as value achieved. The allegations also triggered criminal investigations of some of the purchasers of NAMA assets (BBC 2015; Brennan 2018).

In spite of this, NAMA first became profitable (after impairment charges and taxes) in 2011, broke even (in the aggregate) near the end of 2014, and started rapidly accumulating gains through 2018 (NAMA Second Progress Report 2018).

Overall Outcomes

NAMA purchased 90% of the assets that it initially identified as eligible (over 12,000 loans from 780 “debtor connections”) between the beginning of its operations and March 2012 (NAMA Progress Report 2014; NAMA Section 227 Review 2014). These assets had a face value of €74.4 billion, representing over 40% of Ireland’s GDP and 9.3% of Ireland’s banking assets. The 10% of eligible assets that NAMA ultimately did not purchase had a face value of around €9.2 billion (Cas and Peresa 2016; NAMA Progress Report 2014). For the eligible assets that it did purchase, NAMA paid €31.8 billion in consideration to its five participating banks (€30.2 billion in State-guaranteed senior bonds and €1.6 billion in subordinated bonds) across two distinct tranches and one “bulk” tranche (Figure 6) resulting in realized losses of €42.6 billion or 57% of the face value of the assets transferred, and motivating the Irish government to shore up bank balance sheets with significant capital injections in 2010-11 (NAMA Progress Report 2014; Cussen and Lucey 2011). Although NAMA conducted some asset sales as early as 2010, NAMA did not accelerate its asset sale operations until 2011. In 2011, the organization completed €3.6 billion in asset sales, began to report a yearly profit, and redeemed €1.25 billion of its senior bonds (NAMA Annual Report 2012).

NAMA revised its policy on how many of its 780 borrowers would be managed directly multiple times, increasing the number from 100 (NAMA Business Plan 2010) to somewhere between 180 and 210 from 2010 until 2014 (NAMA Second Progress Report 2018; NAMA Annual Report 2010; NAMA Annual Report 2011). In late 2015, NAMA decided to manage all of its borrowers directly, after it conducted loan sales that “significantly reduced the number of debtor connections” (NAMA Second Progress Report 2018). Alongside this change, NAMA moved away from its policy of aggressively pursuing debtors through asset searches and multi-jurisdictional court cases. For example, one journalist said that “The government had promised that Nama would pursue debtors to “the ends of the earth.” This

26 NAMA’s decision for €2.6 billion of these was due to “a number of factors including the scale of debtors’ exposure to land and development relative to their total exposure” (Oireachtas Inquiry 2015). NAMA decided not to acquire the other €6.6 billion because of a government decision to “not acquire loans from Allied Irish Banks and Bank of Ireland where a borrower’s total exposure was less than €20 million” (NAMA Progress Report 2014).

27 In 2010, the Irish government injected €25.3 billion into Anglo Irish Bank, €3.7 billion into AIB, €5.4 billion into INBS, €0.875 billion into EBS; nationalized EBS as well as INBS; and restructured ANGLO and INBS (Cussen and Lucey 2011).
journalist later recalled that “in 2017 Michael Noonan, then finance minister, said that the chance of the state recovering the full €74 billion owed on the loans was “lost in the financial crisis” (O’Donoghue 2019).

NAMA also advanced €3.3 billion for capital expenditure in the land and development sector from its establishment through 2018 (NAMA Annual Report 2018). On October 13, 2017, NAMA redeemed the last of its senior debt and announced that it “expected to redeem €1.6 billion of subordinated debt by its first call date in March 2020” (End of Year Review 2018; NAMA 2017). By the end of 2018, NAMA generated approximately €44 billion in funds from its assets, had €2.3 billion in remaining assets, and was projecting that it would return over €4 billion in profit to the taxpayers by the end of its life (Humphries 2019; NAMA Annual Report 2018; End of Year Review 2018).

NAMA’s staff grew from just over 100 employees in 2010 to 370 by year-end 2014. By the end of 2016, NAMA had approximately 300 employees, with a goal to further reduce staff in connection with a wind-down strategy and redundancy scheme introduced by NAMA in 2015 (NAMA Second Progress Report 2018; NAMA Section 53 Statement for 2019 2018).

Even after NPLs were transferred to NAMA, Ireland’s NPLs as a percentage of gross loans in the banking sector continued to increase. The NPL ratio peaked at 31.8% or €85.3 billion only in Q4 2013, more than two years after loans were transferred to NAMA (Sibley 2017).

NAMA reckoned with competing mandates that became more visible as “an acute shortage of [housing] supply […] occurred in many areas throughout the country” (NAMA 2015; Kennedy, Gerard, and Stuart 2016). It began emphasizing its housing programs in 2016. NAMA developed affordable housing on some of its property by matching residential stock held by NAMA debtors and receivers with local social housing authorities. It also purchased properties from NAMA debtors and receivers, then providing a long-term lease to the relevant housing authorities (NAMA 2016). This emphasis accelerated in the following year. Media stated that this was because NAMA had decided “the disposal of assets would be a less prominent part of its activities in 2017 because of the progress it had made in reducing its portfolio.” From this point, NAMA’s largest department was its “residential delivery unit” and the organization committed to delivering 20,000 residential housing units by the end of 2020 (O’Dwyer 2016). By 2017, the Ireland’s Prime Minister was “examining the possibility of repurposing Nama to develop lands on behalf of the state, to step in where the private sector has failed” amid a “chronic shortage of homes and property prices again rising rapidly” (Beesley 2017). Eventually, in early 2018, the Irish government established Home Building Finance Ireland (HBFI), which would help finance the construction of new homes from a $750 million Ministry of Finance fund. Staff seconded from NAMA would help the new organization meet its administrative burdens (Bray 2018).

In December 2015, in response to NAMA’s pivot toward housing programs, five Irish property developers lodged a complaint with the European Commission alleging that Ireland has granted unlawful State aid to and through the operation of NAMA. The developers alleged that the “alleged State guarantee and the alleged extraordinary post-acquisition powers granted to NAMA, as well as the alleged tax exemptions of NAMA” constituted new
and/or unlawful aid. They also asserted that “alleged aid to real estate developers [...], access to confidential information [...], relationships of NAMA with local authorities and government departments, and [...] indirect acquisitions of land at steep discounts by NAMA” constituted state aid under Article 107(1) of the Treaty on the Functioning of the European Union (TFEU). The European Commission responded with a January 25, 2018, ruling that the measures addressed by the first set of allegations were “existing” and thus did “not constitute new nor unlawful aid.” The ruling also rejected the developers’ arguments pertaining to Article 107(1) of the TFEU (European Commission 2018).

However, this was not NAMA’s last interaction with the European Commission over state aid issues. In late 2018 NAMA’s Board determined that it was “likely that the Agency will still retain a small number of residual loans by the end of its expected end date of 2021.” This was reportedly because the loans in question were either “subject to ongoing legal actions” or were “secured by residential development sites that have the potential to deliver a significant value uplift beyond 2021.” The Minister for Finance recommended that NAMA continue its operations “for a limited period in order to manage out the residual loans so as to optimise their value,” extending NAMA’s lifetime (Section 227 Review 2019). A formal notification was sent to the European Commission on June 20, 2019 that requested NAMA’s lifespan be extended “beyond 2021 to the end of December 2025.” In its response, the EC determined that it would not “raise objections to the new aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b)” of the TFEU. Ireland attempted to assure the EC that NAMA would “continue not having a distortive effect on the market” and thus proposed to make the following commitments regarding “its powers and activities in the period beyond 2021” (European Commission 2019):

- NAMA would not alter or expand its mandate.
- NAMA would dispose of “its residual residential loans before the end of December 2025” and "be dissolved by that date subject to outstanding litigation.”
- Ireland would “not introduce any changes to the NAMA Act 2009 which requires NAMA to act commercially and deal expeditiously with the remaining assets while protecting or otherwise enhancing the value of those assets in the interests of the State.”
- NAMA would “not provide new development funding for its remaining assets for the period beyond end December 2021.”
- NAMA would “continue to act as a Market Economy Operator with regard to the management and disposal of its post-2021 residual portfolio.”
- Ireland would “continue to submit yearly reports on the use of certain powers under the NAMA Act 2009 to the EU Commission and the Competition and Consumer Protection Commission, as provided for in paragraph 74(vii) of the 2010 Decision.”

28 NAMA’s assets related to the various housing programs would have conceivably been in the latter category.
- Ireland “would submit an annual report to the EU Commission providing an update on the progress that NAMA has made towards deleveraging its residual portfolio [...] every year from 2021 until NAMA’s dissolution.”

- NAMA and Ireland would not “issue any additional State guaranteed NAMA bonds” (European Commission 2019).

- On July 26, 2019, the Minister for Finance stated that NAMA can remain operating through 2025, extending it from 2021 as previously projected (O'Halloran 2019).
II. Key Design Decisions

1. Part of a Package: NAMA was coordinated with several rounds of capital injections and stress tests, but was not announced alongside these activities.

The announcement and creation of NAMA in 2009 did not initially appear to be coordinated with other programs. By the time that NAMA was established, the government had nationalized ANGLO and also injected capital into ANGLO, AIB, and BOI (Cussen and Lucey 2011) (See Figure 8).

However, the Central Bank of Ireland knew that its March 2010 stress test would reveal significant losses. The stress test, known as the Prudential Capital Assessment Review (PCAR), projected the capital each bank would need by the end of 2012 to meet regulatory capital requirements (Honohan 2015; Honohan 2012; Honohan 2010; NAMA Frequently Asked Questions 2009, 10-11). This would theoretically make transparent to the public the size of banks’ losses. Based on the haircuts, the banks would raise more capital (via government capital injections or via the private sector).

However, the haircuts that came with NAMA’s asset valuations and purchases were larger than those projected by the stress tests, creating further uncertainty (Honohan 2015; Honohan 2012; Honohan 2010; NAMA Frequently Asked Questions 2009). NAMA was originally expected to cement confidence in the stress test projections and create market certainty as to the health of Ireland’s banks. These larger than expected haircuts did the opposite. Responding to the larger-than-expected haircuts problem, policymakers in 2010 injected at least €23 billion into Anglo Irish Bank, €0.35 billion into EBS, €2.3 billion into INBS, and €3.7 billion into Allied Irish Banks (See Figure 8). They hoped that the new capital could fill the larger-than-expected capital holes exposed by NAMA (Cussen and Lucey 2011, 83). The government had enough money on hand to fill the holes projected by the stress tests, but not the larger-than-expected ones exposed by NAMA. Therefore, the government had to seek a program from the troika (Honohan 2019).

It is also important to note that these capital injections were not required for these domestic banks to participate in NAMA. Nor was participation in NAMA required for banks to be recapitalized (National Asset Management Agency Act 2009, Revised 2018). However, recapitalization was certainly mandatory for the participating banks because of their performance in the stress tests (Honohan 2015; Honohan 2012; Honohan 2010; NAMA Frequently Asked Questions 2009). For foreign-owned banks in Ireland, the government requested that they be recapitalized using funds from their parent companies before requesting funding from the government for recapitalization (Cerruti and Neyens 2016). That being said, none of the foreign-owned banks in Ireland requested government funding or applied to NAMA.
### Figure 8: Major Irish Government Actions in the Banking Sector (2008-2010)

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09-30</td>
<td>€352 billion blanket guarantee</td>
<td>2010-03-31</td>
<td>INBS capital injection (€100 million)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>INBS capital injection (€2.6 billion)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nationalization of INBS</td>
</tr>
<tr>
<td>2010-05-28</td>
<td></td>
<td></td>
<td>Effective nationalization of EBS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>EBS capital injection (€100 million)</td>
</tr>
<tr>
<td>2010-05-31</td>
<td></td>
<td></td>
<td>ANGLO capital injection (€8.3 billion in capital and €2 billion in contingent capital)</td>
</tr>
<tr>
<td>2009-01-15</td>
<td>Nationalization of ANGLO</td>
<td>2010-06-00</td>
<td>EBS capital injection (€250 million)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Restructuring (eventual merger) of ANGLO and INBS</td>
</tr>
<tr>
<td>2010-08-00</td>
<td></td>
<td></td>
<td>ANGLO capital injection (€8.58 billion)</td>
</tr>
<tr>
<td>2009-02-11</td>
<td>BOI capital injection (€3.5 billion)</td>
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<td></td>
<td>AIB capital injection (€3.5 billion)</td>
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<tr>
<td>2009-06-29</td>
<td>ANGLO capital injection (€3.0 billion)</td>
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<td></td>
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<tr>
<td>2009-08-06</td>
<td>ANGLO capital injection (€0.8 billion)</td>
<td>2010-12-23</td>
<td>AIB capital injection (€3.7 billion)</td>
</tr>
<tr>
<td>2009-09-25</td>
<td>ANGLO capital injection (€0.2 billion)</td>
<td>2010-12-00</td>
<td>ANGLO capital injection (€1.474 billion)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>ANGLO capital injection (€4.946 billion)</td>
</tr>
</tbody>
</table>

Source: Cussen and Lucey 2011; Central Bank of Ireland, 2011; Department of Finance 2009; Honohan 2012; Homar 2016; Palcic and Reeves 2011.
2. Legal Authority: The Republic of Ireland gave NAMA extensive legal authority using the NAMA Act.

After the April 7, 2009, announcement of NAMA, the government drafted the NAMA Act to grant NAMA any authority “necessary for, or incidental to, the achievement of its purposes and the performance of its functions.” The government introduced a draft version of the NAMA Bill on July 30, 2009, which was revised and eventually became the NAMA Act when the Taoiseach (Ireland’s prime minister) signed it into law on November 22, 2009, in spite of substantial public opposition (National Asset Management Agency Act 2009).

3. Legal Authority: The Republic of Ireland structured the NAMA Act to comply with European Commission rules and obtained approval for NAMA’s operations at multiple points.

The NAMA Act had to comply with European state aid rules (Cahill and O'Donnell 2010). NAMA would constitute state aid. Therefore, NAMA could only be compatible with the EU’s internal market if it met the criteria for EC state aid rules for asset relief measures. These criteria were established in the Communication from the Commission on the Treatment of Impaired Assets in the Community Banking Sector of February 25, 2009 (better known as the Impaired Asset Communication and the IAC) (Communication from the Commission 2009; Cas and Peresa 2016).

These criteria pertained to the following aspects of the program:

- “Transparency and disclosure requirements;”
- “burden sharing between the State, shareholders and creditors;”
- “aligning incentives for beneficiaries with public policy objectives;”
- “principles for designing asset-relief measures in terms of eligibility, valuation and management of impaired assets;” and
- “the relationship between asset relief, other government support measures and the restructuring of banks” (Communication from the Commission 2009).

The EC found NAMA to be consistent with State aid criteria. The EC approved the establishment of NAMA on February 26, 2010. It then required NAMA to submit each of NAMA’s asset transfers (and the corresponding valuation) to the EC for review (Cas and Peresa 2016; Martin 2010).

4. Special Powers: NAMA possessed numerous powers and immunities in Ireland’s legal system, but the European Commission significantly restricted their use.

NAMA was seen as having a broad legal mandate (Cas and Peresa 2016). The Minister for Finance also buttressed NAMA’s authority with a bevy of statutory amendments between 2009 and 2013 (NAMA Amendments 2019). As a result, NAMA was protected from a variety
of types of liability and had special rights during legal proceedings, reflecting policymakers’ concern that “litigation might hinder the achievement of NAMA’s objectives” (Carroll and Dodd 2012; National Asset Management Agency Act 2009, Revised 2018)

These rights and protections included, but were not limited to the following examples:

- If an asset acquired by NAMA were secured by a charge, then NAMA could redeem or discharge any charges on an acquired asset that were senior to NAMA’s, rendering NAMA the senior creditor (National Asset Management Agency Act 2009, Revised 2018);

- NAMA could void certain transactions that “hinder the acquisition or impair the value of an eligible bank asset”;

- For certain claims, the NAMA Act restricted the remedies available for damages and also restricted the power of the courts to “grant injunctive relief”;

- NAMA could join certain legal proceedings “in lieu of or in addition to” the participating banks (Carroll and Dodd 2012).

NAMA also had the power to issue directions to participating institutions to deal with any unacquired portion of an asset that NAMA had acquired from said institution in any way specified by NAMA. Participating institutions were required to obey these directions and “dealing with” could mean the participant giving NAMA title to an asset in situations where NAMA acquired a derivative that captured the proceeds of said asset (National Asset Management Agency Act 2009, Revised 2018).

NAMA had the power to access information on its borrowers from tax authorities as well as any necessary information on its acquired assets from the government’s Land Registry (National Asset Management Agency Act 2009, Revised 2018; Cerruti and Neyens 2016). The NAMA Act provided NAMA with the “compulsory right of purchase”, the right to petition the Court for vesting orders, and the ability to appoint a statutory receiver to a participant’s assets (Cerruti and Neyens 2016). All three of these powers allowed NAMA to increase its control over the relevant asset (and potentially its underlying property) (Property Registration Authority 2014). The first two of these powers aimed to help NAMA in its effort to avoid fire sales. The compulsory right of purchase was similar to the eminent domain powers enjoyed by authorities in the United States; it made it less costly in time and money to acquire distressed assets. The vesting order right made it possible for NAMA to convert its security interest in underlying collateral into outright ownership (Carroll and Dodd 2012; McNulty 1912). As part of EC state aid proceedings, Ireland committed to consult with the EC before using its “compulsory right of purchase” power; however, it did not need to consult with the EC in situations involving ransom strips of land—that is, land needed to access an adjacent property from a public highway (Martin 2010). The EC also required the Irish
authorities to commit that NAMA wouldn’t use its vesting order power in the context of a syndicated loan without the agreement of the other syndicate members.  

The power to appoint a statutory receiver allowed NAMA to appoint a receiver to take possession of the collateral securing its assets; this was an unprecedented power within Irish creditor-debtor law. This power became NAMA’s favored tool for pursuing uncooperative debtors (Carroll and Dodd 2012). According to NAMA officials, NAMA needed this power because Irish insolvency law at the time was extremely outdated; bankruptcy under existing laws could take as long as 12 years. Legislators were already debating bankruptcy reforms that included features like the power to appoint a statutory receiver. While these reforms would not happen until 2012, some of the features made their way into the NAMA Act 2009 (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021).

5. Mandate: NAMA technically had numerous mandates outlined under the NAMA Act, but the primary one was achieving the best financial return for the government

NAMA’s initial mandate was to realize the aims of the NAMA Act by acquiring eligible bank assets from participating institutions, “as is appropriate,” dealing with such acquired assets “expeditiously,” and enhancing or protecting the value of the assets in the interest of the government (gov.ie 2019). To this end, NAMA’s commercial mandate was to obtain the best achievable financial return for the government, taking the three following parameters into account: (1) The amount of money the Irish government paid to acquire and manage the assets, (2) NAMA’s cost of capital and operating costs, and (3) any other factor that NAMA thinks is relevant to realizing its purpose (National Asset Management Agency Act 2009, Revised 2018).

NAMA’s mandate did evolve over time. As Ireland’s economic health deteriorated in the second half of 2010, NAMA began to emphasize its role in the restructuring of the banking system (NAMA Second Progress Report 2018). After NAMA’s asset disposals then accelerated and its portfolio shrank, NAMA’s mandate gradually shifted to one focused on the development of affordable housing in Ireland (Dodd 2012; O’Dwyer 2016; NAMA Progress Report 2014). This related to one of the aims of the NAMA Act, which was to “contribute to the social and economic development of the state” (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021).

6. Communication: NAMA had a public relations strategy and message but faced limitations in its efforts to be perceived by the public as transparent.

NAMA officials appeared on radio programs to explain the organization’s activities and supplied anonymous as well as official information to newspapers (Carswell 2010; Irish Independent 2012). NAMA did not have a constituency in the banking or property

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29 The EC asked Ireland to restrict NAMA’s use of several other powers that it understood to be “potentially more distortive” of competition (Martin 2010).

30 NAMA officials were bound by a Code of Conduct and by the Official Secrets Act 1963 that kept them from providing confidential information through external sources (NAMA Annual Report 2010).
development industry, with its Chairman stating in the 2010 Annual Report that “I do not believe that any other State Agency has come into being with a potential client base—those in banking and property development—whose enthusiasm for it was so lukewarm” (NAMA Annual Report 2010).

According to NAMA officials, the organization’s messaging evolved as the institution’s work evolved. When NAMA was first proposed, the Irish government did not promote NAMA as a guaranteed cure for the economy’s woes and very much presented the NAMA scheme as a work in progress. Government officials communicated that the potentially large (and uncertain) cost of NAMA’s purchases and the make-up of Ireland’s sovereign bond holders could have negative impact on Ireland’s fiscal situation. However, it seemed to hedge those concerns by stating that “The income streams from the NAMA assets will mitigate the cost to the Exchequer of servicing the additional debt and the proceeds from their eventual sale will accrue to NAMA and the Exchequer (Houses of the Oireachtas May 2009).”

Several other key themes echoed throughout NAMA’s communications. One was that NAMA was not a bailout for developers or a bad bank. Government statements referred to NAMA as an “asset management agency” rather than as a “bad bank,” with the Taoiseach claiming that NAMA “is not a bad bank model […] because it obviously takes in all loans, including performing loans.” The word “bailout” only seemed to appear when NAMA was being discussed in the Oireachtas or in simplified NAMA documents (which may have been aimed at the general public) like the three-page “The National Asset Management Agency: A Brief Guide” (NAMA Brief Guide 2010; Houses of the Oireachtas May 2009a).

From 2013, as NAMA’s asset sales accelerated, messaging shifted toward emphasizing the organization’s ability to meet its strategic objectives (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021). Around this time, NAMA started talking more about its social and economic contributions. NAMA’s focus on its social and economic contributions became more dominant as the organization took on more of a role as a housing developer in the mid-to-late 2010s (Dodd 2012; O’Dwyer 2016).

Although NAMA publicly emphasized its commitment to transparency early on in its life, references to transparency (beyond transparency in its procurement process) in official communications were less common in annual reports released after 2010 (NAMA Annual Report 2010; NAMA Annual Report 2012; NAMA Annual Report 2013; NAMA Annual Report 2018). That being said, NAMA states that it has been fully transparent within the constraints put on it by Irish laws and confidentiality rules (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021).
Another theme in NAMA’s communications is best expressed by the statement “NAMA is not the problem, it is merely cleaning up a problem that was created by others.” Officials tended to describe what NAMA would do using nonfinancial terms like “cleansing” and “crystallising” losses. NAMA would act in a commercial manner, but would not hesitate to put pressure on the banks and borrowers. For example, NAMA asserted that it would only be providing funding to developers “where it will make commercial sense” and criticized the banks by stating that NAMA’s operations had “revealed a troubling picture of poor loan documentation, of assets not properly legally secured and of inadequate stress-testing of borrowers and loans—all born of a mindless scramble to funnel lending into one sector at considerable pace and of a reckless abandonment of basic principles of credit risk and prudent lending” (McDonagh 2010).

7. Ownership Structure: The government of Ireland created NAMA as a majority private-owned entity because of concerns about placing additional contingent liabilities on the government balance sheet.

If NAMA’s assets ended up on the government’s balance sheet some policymakers believed that there would be an increased possibility that “Irish [...] [deficit] levels could be artificially distorted as a result of loan foreclosures” on loans with collateral located in Ireland. Eurostat regulations mandated that NAMA’s assets needed to have majority private ownership to not be on the government balance sheet and enjoy a government guarantee at the same time (Cussen and Lucey 2011).

To fulfill this requirement, NAMA conducted most of its operations through an Irish SPV created by NAMA called National Asset Management Agency Investment Ltd. (Called NAMAIL or the Invest Co.). Invest Co. was a public-private partnership with initial capital of €100 million. Three sets of private investors (Irish Life & Permanent, New Ireland Assurance (Bank of Ireland Group), and “a group of clients of Allied Irish Banks’ Investment Managers”) held a 51% stake and NAMA held a 49% stake with veto power over strategic decisions (Martin 2010; Cas and Peresa 2016). Beneath this SPV were three Section 110 SPVs, which enjoyed special tax status (allowing for only a nominal tax burden), and two conventional Irish SPVs (See Figure 4) (NAMA Acquisition of Bank Assets 2010; NAMA Second Progress Report 2018). NAMA wanted to reduce the tax liability of its subsidiaries because NAMA’s exemption from “income tax, corporation tax and capital gains tax” under Section 214 of the NAMA Act did not apply to subsidiaries.31 Although the NAMA Act did not allow NAMA itself to downstream its own tax-exempt status to its subsidiaries, Irish corporate law, with its treatment of Section 110 SPVs, allowed NAMA to decrease its tax burden in line with other Irish corporations of the time.

Invest Co. created (and owned a 100% stake in) a Section 110 SPV called National Asset Management Ltd. (also known as the Master SPV). The Master SPV then owned a subsidiary Section 110 SPV called National Asset Management Group Services Ltd. (the Intermediate Co.). The Intermediate Co. owned three functional subsidiaries: a Section 110 SPV known as

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31 Such maneuvers were common in Irish finance at the time, though this would change with legal reforms in 2016.
National Asset Loan Management Ltd. (the Acquirer Co.), a conventional Irish SPV known as National Asset Property Management Ltd. (the Property Co.), and a conventional Irish SPV known as National Asset Management Services Ltd. (the Management Services Co.) (NAMA Acquisition of Bank Assets 2010).

Together, the companies functioned as follows: The Acquirer Co. directly received the assets that NAMA bought, which included any income from interest on the loans, and initiated enforcement proceedings against the borrowers of the loans as needed. As the Acquirer Co. could not “carry on any activities ancillary to holding and managing the loans,” it sold the properties it acquired to the Property Co. for zero consideration upfront. The Property Co. then managed these properties and used its property management profits to pay corporation taxes. The Property Co. would eventually dispose of the assets and pay the resulting proceeds to the Acquirer Co. as delayed consideration. The Acquirer Co.’s after tax proceeds then flowed back up through the other SPVs to the Master SPV, which paid a performance-based dividend to Invest Co.’s private investors and then paid any remaining surplus to NAMA. Finally, NAMA paid the surplus it received from the Master SPV to the Exchequer (NAMA Acquisition of Bank Assets 2010).

In order to limit the benefits and potential losses for NAMA’s private-sector shareholders, NAMA placed a cap on their possible annual return or loss to 10% above or below the yield on the 10-year Irish government bond yield, with remaining profits (losses) going to NAMA (Braakman and Forster 2011).

Meanwhile, the Management Services Co. handled the expenses, tax administration, and financial operations of these companies (Carroll and Dodd 2012).

This private ownership legal structure was based on a French program called Société de Financement de l’Économie Française (SFEF). SFEF used a majority privately owned vehicle to issue government guaranteed debts and lend the proceeds to French financial institutions in need of liquidity. NAMA chose to follow this structure, because it initially fit well with Eurostat accounting guidelines. These guidelines allowed majority-private interventions like SFEF and NAMA to avoid being counted as part of the public debt (Cussen and Lucey 2011).

The Eurostat regulation also required that NAMA be “of a temporary duration,” “created solely to deal with the financial crisis,” and not be “expected to incur losses” (Cussen and Lucey 2011). By 2016, these Eurostat rules changed, placing asset management companies like NAMA on the government balance sheet if the company’s funding structure had a government guarantee, even if the AMC were privately owned (Cas and Peresa 2016). However, it is not clear how much a difference the changed Eurostat rules would have made to NAMA’s operations. Ratings companies classified NAMA as part of the Irish sovereign’s balance sheet and the Irish government had to enter an EC-IMF program at the end of 2010 regardless (European Commission 2019a; Cullinan and Beers 2010).

NAMA’s SPV structure and use of profit participation loan (PPL) agreements initially also allowed NAMA to pay almost no taxes. Under such agreements, the Section 110 SPVs would pay interest on the PPLs dependent on its profitability. However, due to a number of changes
in the tax law in 2016, NAMA restructured the Acquirer Co. into a “regular trading company” when the PPL tax deduction was restricted (NAMA Second Progress Report 2018).

8. Governance/Administration: NAMA was structured as a corporation but had several features (beyond the government’s control of its board) meant to protect the interests of the state and draw on existing resources within the Irish government.

NAMA was structured as a statutory corporation (not a bank) and was governed using a nine-person Board. The composition of NAMA’s Board was as follows:

- Seven members appointed by the Minister for Finance
- Two ex-officio members appointed by the Minister for Finance
  - The CEO of NAMA (appointed by the Minister for Finance in consultation with the Chief Executive of the NTMA)
  - The Chief Executive of the NTMA (National Asset Management Agency Act 2009, Revised 2018)

Additionally, NAMA was subject to various anti-corruption acts and a number of other anti-corruption related provisions. The NAMA Act made lobbying NAMA, defined broadly, a legal offence (Carroll and Dodd 2012; National Asset Management Agency Act 2009, Revised 2018). This provision also penalized people who believed that they received a communication that constituted lobbying under the NAMA Act, but did not report the details of the communication to the Garda (police) promptly. The NAMA Act also contained provisions that appeared to protect whistle-blowers (National Asset Management Agency Act 2009, Revised 2018).

NAMA was provided with staff, “human resources, IT and market risk analysis” services by its parent, the National Treasury Management Agency (NTMA) (Cas and Peresa 2016). NAMA expected to have around 100 employees (Connolly 2017, 1-2), but grew to a size of up to 380 employees with specialist skills in property, banking, finance, law, and related disciplines (Williams 2014). This number does not include the roughly 500 people at the five participating banks who managed NAMA’s €13 billion exposure to smaller debtors (About NAMA 2014). For staff and contractors involved in asset management, NAMA drew on “many former development companies and former banking interests” (Williams 2014). Until around 2014, NAMA’s staff enjoyed bonuses linked to employee performance (Cerruti and...
A change in this policy, and NAMA’s March 2012 reorganization from asset purchase and valuation to asset management, caused NAMA to lose critical staff (NAMA Annual Report 2012). Anticipating NAMA’s eventual winding-down, NAMA implemented a voluntary redundancy program in 2015, which NAMA’s Chief Executive described as “helpful to date in stemming the volume of staff departures at a time when an uncontrolled exodus would have been seriously damaging to our business.” Nevertheless, NAMA did not appear to have remedies for retaining “specialist staff,” which NAMA believed could be easily poached by the recovering private sector (NAMA Annual Report 2015).

Discussions with NAMA staff revealed that though NAMA could pay market rates, its positions were largely for contractors (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021). As an organization with a limited lifetime, employees could not be certain that these contracts would always be renewed. Therefore, some employees started to leave as the market improved, reasoning that NAMA could not offer enough job security.

**Figure 9: Administration Expenses and Employee Numbers**

![Administration Expenses and Employee Numbers](image)

*Source: Ministry of Finance Section 227 review of NAMA, 2019.*

9. **Governance/Administration: NAMA was formally subject to extensive oversight by multiple stakeholders.**

NAMA had significant accountability to the Minister for Finance, the Oireachtas, and the EC. As for the two former groups, NAMA had to do several things. It had to submit annual reports
to the Minister for Finance, keep accounts in a form specified by the Minister for Finance, and produce quarterly reports for the Minister for Finance (that would then be passed on to the Oireachtas). It also had to produce reports at the behest of the Minister for Finance, submit to audit by the Comptroller and Auditor General, and be accountable to the legislative Dail Eireann Committee of Public Accounts (PAC) (Carroll and Dodd 2012). NAMA’s Chairperson and CEO were required to report to other committees in the Oireachtas that had been appointed to “examine matters related to NAMA” (National Asset Management Agency Act 2009, Revised 2018). Although NAMA was required to “act in a transparent manner in carrying out its functions,” it only had to do so to the extent that it was “consistent with proper and efficient and effective discharge” of its functions (Carroll and Dodd 2012). As for the EC, NAMA had to report to the EC every six months on its participating banks’ restructuring plans and the functioning of the program. NAMA also had to report to EC’s and the Republic of Ireland’s competition authorities each year on the “use of NAMA’s post acquisition powers” (Martin 2010).

Operationally, NAMA enjoyed a significant amount of independence because the Minister for Finance only appeared to intervene in NAMA on a limited basis (Carroll and Dodd 2012). However, the Minister for Finance was able to control NAMA using several tools. Under the NAMA Act, the Minister for Finance could issue binding written guidelines and directions to NAMA. NAMA would have to “have regard to any guidelines issued by” the Minister for Finance and be required to comply with written directions from the Minister for Finance “concerning the achievement of the purposes of this Act” (National Asset Management Agency Act 2009, Revised 2018). The Minister could also determine which organizations could participate in NAMA, which assets would count as eligible assets, and have the final say over whether a “particular asset may be acquired.” They also had the final say on the “total value of a portfolio of assets to be acquired from a participating institution” in cases where the participants filed a dispute with NAMA (Carroll and Dodd 2012). The structure of NAMA’s Board, in which seven of its nine members and NAMA’s CEO were appointed by the Minister for Finance, also granted the Minister for Finance a significant amount of power over the organization (National Asset Management Agency Act 2009, Revised 2018).

In practice, as of 2019, the Minister for Finance issued six directions and twelve statutory instruments under the NAMA Act (National Asset Management Agency Act 2009, Revised 2018). The Minister for Finance also issued four directions under the IBRC Act in 2013 (Carroll and Dodd 2012).

There were only three events where the Minister for Finance used its powers to issue directions and statutory instruments under the NAMA Act to become visibly involved in NAMA’s day-to-day operations. The first was when the Minister for Finance put forward two statutory instruments and a direction requiring NAMA to expedite its asset acquisition process (eliminating the tranche system) (Lenihan 2010; S.I. No. 504 2010; S.I. No. 505 2010). The others were two operations related to the IBRC; one of the directions under the

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34 However, University College Dublin economist Karl Whelan argued that the Minister for Finance strained NAMA’s independence when he ordered that NAMA acquire a loan facility between IBRC and the Central Bank of Ireland. This order aimed to limit the damage of IBRC’s special liquidation in April 2012 (See NAMA Second Progress Report 2018). (See Whelan 2012).
NAMA Act and all four directions under the IBRC Act ordered NAMA to support the special liquidation of IBRC in various capacities (Legislation).

10. Size: NAMA did not have a specified size and funded itself, but its size was limited by a €54 billion cap on debt securities it could use to purchase assets and a €5 billion cap on borrowings for other purposes.

There was no cap on the face value of the assets NAMA would purchase, but the NAMA Act allowed the organization to issue up to €54 billion in debt securities for the purchase of assets before asking the government for permission to spend additional funds (Carroll and Dodd 2012). This number was arrived at by estimating the long-term value of the assets expected to be eligible for transfer to NAMA. €47 billion of this figure represented the then-current market value of the assets. They determined the remaining €7 billion by applying a number of statutory uplift factors (related to the expected default rate, the proportion of performing loans, etc.) (NAMA Business Plan 2009).

Ultimately, NAMA spent €31.8 billion to acquire assets with a face value of €74.4 billion.

11. Funding Source: NAMA was mostly government-funded, using government-guaranteed debt and loans from the Irish government.

NAMA ultimately funded its asset purchases by issuing €30.2 billion in state-guaranteed senior bonds usable as collateral in the Eurosystem and €1.6 billion in subordinated bonds. Minister for Finance Brian Lenihan said that the purpose of these subordinated bonds was that they “put [...] the bank at risk if NAMA were to lose money [...] without giving them an upside in relation to its gains” (Houses of the Oireachtas September 2009).

The terms of the senior bonds included (but were not limited to) the following (NAMA 2011)35:

- Principal and Interest guaranteed by The Minister for Finance of Ireland
- Maximum Amount Outstanding: €51,300,000,000
- Currency: Euro, Sterling, or U.S. Dollars
- Issue Date: March 26, 2010 (Carroll and Dodd 2012)
- Maturity: March 1, 2011 (it is uncertain whether all the senior debt would be rolled over annually)
- Interest Rate (paid semi-annually on March 1 and September 1):

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35 This information is from the March 1, 2011, circular, but the 2011 issuance was in substantially the same form as the 2010 issuance (with exception of the fact that the 2011 issuance “may be physically settled at maturity at the option of the Issuer upon not less than 20 business days’ notice to holders by issuing a new Note on the same terms as the existing Note,” while the 2010 issuance could be “physically settled at maturity at the option of the Issuer upon not less than 10 business days’ notice. (See NAMA 2011.)
For Euro-denominated Notes: six-month Euribor

For Dollar-denominated Notes: six-month LIBOR

For Sterling-denominated Notes: six-month LIBOR (NAMA 2011)

The architects of the senior bonds appear not to have anticipated that the six-month Euribor rate might decrease to the extent that the bonds bore a negative interest rate. If the notes carried a negative interest rate, they could not be used as collateral with the ECB and this would therefore make it more difficult for their holders to fulfill “their regulatory liquidity requirements.” When the six-month Euribor rate declined to 4.9 basis points in late July 2015, the Minister for Finance began to worry that a negative interest rate was a significant possibility. In response, the Minister directed NAMA to “take appropriate steps to ensure that in the event that the 6-month Euribor is negative a negative rate will not apply to the Notes.” He continued, writing that NAMA was “to ensure that these notes remain eligible as collateral for Eurosystem monetary policy operations” in so far as was possible (Noonan 2015).

The terms of the subordinated bonds included (but were not limited to) the following (NAMA 2010):

- Aggregate Nominal Amount and Issue Price: 5% of the total acquisition value of the acquired portfolio of each participating institution (€1.6 billion)
- Currency: Euro
- Issue Date: March 26, 2010
- Interest Rate: 10-year Irish Government bonds rate as of March 26, 2010 (the first issue date), plus 75 basis points, paid annually starting March 1, 2011, if the Board of the Issuer determines the Issuer is “achieving objectives” related to NAMA’s financial performance (Carroll and Dodd 2012; NAMA Annual Report 2018).
- First Call Date: March 1, 2020
- Term: Perpetual

36 That being said, negative rates were not a common occurrence, let alone perceived as a likely occurrence when these senior bonds were designed (Liu and Anderson 2013).

37 Until NAMA achieved these objectives, the subordinated bonds would serve as a loss-bearing liability held by participants.
NAMA funded its day-to-day operations through government borrowing and €51 million in equity provided by the various private organizations investing in NAMA’s SPV (Martin 2010; Cas and Peresa 2016). In practice, NAMA was able to sustain itself using funds generated by its operations after it repaid €299 million in loans from the Central Fund by February 2011 (NAMA Annual Report 2011; McDonagh 2013). NAMA originally expected to issue commercial paper, but this proved difficult amidst Ireland’s deteriorating financial conditions (Martin 2010; Cas and Peresa 2016).

12. Funding Source: NAMA possessed a clawback feature that enabled it to tax participants to cover any aggregate losses it ultimately suffered.

NAMA enjoyed a loss-sharing clawback provision under the NAMA Act. Under this provision, if NAMA ended up with a loss, NAMA could impose a tax on its participants to make up the loss. The EC pointed to this tool as one of NAMA’s two “risk-sharing-mechanisms.” However, the feature was controversial during NAMA’s design (Martin 2010). NAMA’s (pre-establishment) interim CEO Brendan McDonagh and the future Minister for Finance Brian Lenihan argued against the measure during debates on Peter Bacon’s initial NAMA proposal. According to them, “the appropriate place to impose the levy would be finance legislation rather than the NAMA legislation [because] it might have an effect on the valuation of the assets to be transferred” as the clawback essentially represented “an unpriced option in terms of what the clawback would be in the future” (Houses of the Oireachtas May 2009b). Although similar loss-sharing features might have been controversial when put forward in other countries, legislators adopted the provision in response to “voters’ anger over the rising cost of the bank bailout and simultaneous fiscal tightening,” and the provision ceased to be particularly newsworthy soon after (Gumuchian 2010).

13. Eligible Institutions: Any credit institution could apply to NAMA, but the Minister would ultimately decide which applicants were eligible.

Once NAMA was established (on December 21, 2009) “[a]ny credit institution, including Irish subsidiaries of foreign credit institutions,” that wished to participate had 60 days (until February 19, 2010) to apply. All five applicants were Irish banks and their subsidiaries that were covered by the Irish government’s blanket guarantee (Martin 2010). NAMA started collecting information from some of these banks in mid-2009, as there were already public expectations that certain troubled banks (like ANGLO) would apply (NAMA Acquisition of Bank Assets 2010).

Before NAMA began, the government requested that foreign banks subsidiaries in Ireland be recapitalized using funds from their parent companies before requesting funding from the government; however, this became a moot point because no foreign bank subsidiaries applied to participate in NAMA and a similar requirement did not exist for the other domestic banks (Cerruti and Neyens 2016).

Within three months of receiving an application, the Minister, after consultation with the Governor of the Central Bank and Regulatory Authority, would determine if an applicant could participate based on three factors (Martin 2010; National Asset Management Agency Act 2009, Revised 2018):
- Systemic importance of the applicant, which was determined using a standardized rubric (Martin 2010, 37; NAMA Acquisition of Bank Assets 2010);

- Available Ministry of Finance resources and the financial position of the applicant;

- Compliance with NAMA Act obligations, which included but what were not limited to:
  
  - Including all of its subsidiaries in its application to the Minister for Finance;
  
  - Providing any “information, explanation, books, documents and records that the Minister” required;
  
  - Certifying in “utmost good faith […] all matters and circumstances […] that might materially affect […] the Minister’s decision” on an institution’s application; and
  
  - Limiting a number of business actions (like dealing with eligible assets outside the ordinary course of business) it could take without “prior written approval of NAMA” before NAMA acquired the eligible assets (National Asset Management Agency Act 2009, Revised 2018).

Although the initial proposals for an asset management company had recommended that the program be mandatory, the government opted for a voluntary approach (National Asset Management Agency Act 2009, Revised 2018). This was because the various recapitalization undertaken by the government had already resulted in significant public ownership of the Irish banking system. The government had stakes in ANGLO, AIB, and BOI at the time of NAMA’s establishment (Cerruti and Neyens 2016).

14. Other Conditions: The NAMA Act could allow the Irish government to exercise significant control over participating institutions.

Ireland’s Financial Regulator and the Minister for Finance could require participants to produce any such report they considered necessary for monitoring compliance. After consultations with the Governor of the Central Bank and the Financial Regulator, the Minister for Finance could require participants to produce Restructuring Plans and/or business plans by a certain time. With approval from the Minister for Finance, the Financial Regulator could also issue directions to participants that would restrict balance sheet growth, the ability of participants to conduct mergers or acquisitions, or require balance sheet reduction, so long as the purpose of the direction was to achieve the purposes of the NAMA Act (National Asset Management Agency Act 2009, Revised 2018).

It is important to understand that the Irish government already had significant control over the country’s large banks by the time that NAMA began operating. The government had significant stakes in all of NAMA’s participants by the end of 2010 (See Figure 8) (Palcic and Reeves 2011).
15. Eligible Assets: The original act defined eligible assets broadly, but the Minister of Finance limited the program to loans and contracts related to development of land (Cas and Peresa 2016).

Any “bank asset” designated by the Minister for Finance was an eligible asset for purchase by NAMA. In the NAMA Act, the term could broadly include any “security related to a credit facility” as well as any credit facility. But the Minister for Finance ultimately defined eligible bank assets more narrowly as “all loans issued for the purchase, exploitation or development of land as well as loans either secured or guaranteed by land;” related commercial loans; and other financial contracts relating to acquired loans (Martin 2010; NAMA Acquisition of Bank Assets 2010; Oireachtas Inquiry 2016). NAMA had full discretion to decide which assets it would purchase from participating banks (Carroll and Dodd 2012; NAMA Annual Report 2018). For efficiency reasons, all transferred loans from AIB, Anglo Irish Bank, and Bank of Ireland had to be at least €5 million; NAMA’s Board later increased the figure to €20 million for assets held by AIB and Bank of Ireland (Oireachtas Inquiry 2016). The government expected eligible assets to be highly concentrated among a small number of large real estate developers (Martin 2010).

When NAMA acquired the loans, their breakdown by region and asset type was as follows:

**Figure 10: Property Collateral for NAMA Loans by region and asset type**

<table>
<thead>
<tr>
<th></th>
<th>Ireland</th>
<th>Britain</th>
<th>Northern Ireland</th>
<th>Rest of World</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>2,666</td>
<td>2,100</td>
<td>215</td>
<td>272</td>
<td>5,253</td>
</tr>
<tr>
<td>Retail</td>
<td>2,909</td>
<td>1,157</td>
<td>216</td>
<td>145</td>
<td>4,427</td>
</tr>
<tr>
<td>Other Investment</td>
<td>2,410</td>
<td>1,225</td>
<td>343</td>
<td>504</td>
<td>4,482</td>
</tr>
<tr>
<td>Residential</td>
<td>3,696</td>
<td>1,289</td>
<td>133</td>
<td>156</td>
<td>5,274</td>
</tr>
<tr>
<td>Hotels</td>
<td>934</td>
<td>1,809</td>
<td>12</td>
<td>282</td>
<td>3,037</td>
</tr>
<tr>
<td>Total Completed Properties</td>
<td>12,615</td>
<td>7,580</td>
<td>919</td>
<td>1,359</td>
<td>22,473</td>
</tr>
<tr>
<td>Land</td>
<td>4,174</td>
<td>1,846</td>
<td>279</td>
<td>158</td>
<td>6,457</td>
</tr>
<tr>
<td>Development</td>
<td>1,129</td>
<td>1,334</td>
<td>61</td>
<td>327</td>
<td>2,851</td>
</tr>
<tr>
<td>Total Land and Development</td>
<td>5,303</td>
<td>3,180</td>
<td>340</td>
<td>485</td>
<td>9,308</td>
</tr>
<tr>
<td>Total</td>
<td>17,918</td>
<td>10,760</td>
<td>1,259</td>
<td>1,844</td>
<td>31,781</td>
</tr>
<tr>
<td>%</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

*Source: Oireachtas Inquiry 2016, 318.*
16. Acquisition (Pricing): NAMA had a detailed valuation procedure for its assets that sought to determine long-term economic value.

NAMA’s valuation procedures were intended to clarify the value of its assets while limiting the damage that the resulting haircuts would impose on its participants by paying the long term economic value for the assets (which would be higher than the current market value) (Carroll and Dodd 2012). The Irish government began collecting information for due diligence and constructing valuation processes by May 2009, months before the NAMA Act passed or NAMA was formally established (NAMA Acquisition of Bank Assets 2010). The NAMA Act allowed for NAMA to purchase assets at the current market value or at any price between the current market value and the long-term economic value so long as NAMA consulted with the Minister for Finance. However, all of NAMA’s valuations and acquisitions ultimately took place at long-term economic value. NAMA defined long-term economic value for asset as “the value, as determined by NAMA, that it can reasonably be expected to attain in a stable financial system when the crisis conditions prevailing at the passing of the Act are ameliorated.”

It defined long-term economic value for property as “the value, as determined by NAMA, that it can reasonably be expected to attain in a stable financial system when the crisis conditions prevailing at the passing of the Act are ameliorated and in which a future price or yield of the property is consistent with the reasonable expectation having regard to the long-term historical average.” NAMA defined the “long-term” as between January 1, 1985 and December 31, 2005, indicating that NAMA placed the Irish property market as only having been overvalued starting January 1, 2006 (Carroll and Dodd 2012). NAMA constructed the long-term economic value by observing the current market value of the asset and the assets’ collateral as of November 30, 2009 (rather than the current market value at the time of the purchase), applying an uplift factor based on the projected increase in the collateral’s value and a discount based on “the extent to which a participating bank has secured its legal right to realise the underlying security” to a discounted cash flow (DCF) valuation methodology approved by the EC (NAMA Acquisition of Bank Assets 2010).

The actual valuation process, which took place loan-by-loan until the Irish government received permission from the EC to simplify it in mid to late 2010, was arduous (Honohan 2019, 219). This was because the EC worried NAMA would be used to provide illegal state aid to Irish banks (i.e. that NAMA would inflate valuations to the point where NAMA’s purchases worked like a stealth recapitalization) (Honohan 2019).

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38 The term asset, rather than loan, is sometimes used because NAMA also acquired some derivatives.

39 The EC did not specifically require the use of DCF. The 2009 IAC instead merely stated that “the Commission would consider a transfer value reflecting the underlying long-term economic value of the assets on the basis of underlying cash flows and broader time horizons as an acceptable benchmark indicating compatibility of the aid amount as the minimum necessary” (See Martin 2010). Additionally, the EC noted that NAMA’s DCF approach and the calculation of long-term economic value was appropriate “to the extent that the discount rate and in particular the margin added to the risk-free rate is viewed as adequate” (Martin 2010).
17. Acquisition (Pricing): NAMA possessed another clawback feature that enabled it to get back any amount it was determined to have overpaid for assets.

NAMA’s creators integrated a valuation clawback provision (which the 2009 IAC mentioned as a potential tactic) (Communication from the Commission 2009) into the organization. If NAMA determined that it overpaid for an asset, NAMA could claw back the amount that it overpaid from the participants. The NAMA Act also provided for participants to claw back value from NAMA in cases of underpayment through a “Valuation Panel” procedure, but it is not clear whether these reverse clawbacks were widely used (Martin 2010; National Asset Management Agency Act 2009, Revised 2018). NAMA would determine that it overpaid by way of:

- EC decisions on proper loan valuation procedures;
- due diligence conducted after the expedited valuation and purchase of an asset;
- realization that it had made a mistake in applying its valuation procedures; or
- the rectification of incorrect (or incomplete) information that NAMA received while initially valuing the assets (Carroll and Dodd 2012).

18. Acquisition (Mechanics): NAMA grouped loans by common borrower and sold them in tranches.

Once the panel of loan-value experts arrived at a valuation, NAMA grouped the loans based on their shared relationships with a given borrower (rather than by bank) and sorted them into tranches for transfer. Each additional tranche contained a larger number of borrowers and smaller positions (the author of this piece hypothesizes that NAMA’s designers carved up the assets into tranches because they anticipated that the scale of documentation processing required to value all of the assets at once dramatically outstripped NAMA’s administrative capacity).\(^{40}\) NAMA determined a transfer schedule for each tranche and provided it to the relevant participants. The transfer schedule included the assets that NAMA would acquire from the relevant participant and the consideration price NAMA would pay, which would be “the lower of the amount owed by the borrower and the loan’s long-term economic value” (NAMA Acquisition of Bank Assets 2010).

NAMA’s original intention was to value and purchase the first tranche immediately, which would contain the largest exposures, and then do the same for a new tranche every 30 days until an expected completion date of June or July 2010 (Houses of the Oireachtas October 2009; Houses of the Oireachtas November 2009). However, these 30-day and mid-year goals proved overly optimistic. Although NAMA aimed to finish purchasing its assets by the end of 2010, NAMA ultimately had to revise this end date several times between 2009 and 2011 (NAMA Acquisition of Bank Assets 2010) because of issues in its participants that included multiple management information systems (MIS), poor data management infrastructure,

\(^{40}\) The 2010-02-26 European Commission state aid decision said that “It is [was] anticipated that the first tranche will include the 10-15 largest borrower exposures across all participating institutions” (Martin 2010).

On September 30, 2010, the Minister for Finance requested that NAMA finish transferring assets as soon as possible and announced that “all remaining NAMA transfers should be completed in one single tranche for each of the participating banks” (NAMA Acquisition of Bank Assets 2010). The Minister for Finance then issued a direction and two statutory instruments on October 22, 2010, which incorporated this goal into NAMA’s governing documents. The direction and one of these statutory instruments added an additional function (and processes for fulfilling said function) to NAMA: take “all necessary steps to acquire” eligible bank assets from participants” as expeditiously as possible” (National Asset Management Agency Act 2009, Revised 2018). The other statutory instrument amended the March 3, 2010, statutory instrument dealing with the calculation of the “Long-Term Economic Value of property and Bank Assets” (S.I. No. 504 2010). After consulting with NAMA’s Board and the EC, the Minister for Finance also requested that NAMA table its acquisition of loans from AIB and BOI where the borrower’s exposure was less than €20 million, shrinking the number of eligible assets that NAMA intended to acquire to around €73.4 billion (NAMA Acquisition of Bank Assets 2010). On November 28, 2010, however, Ireland’s Financial Regulator issued a statement reversing course: NAMA would now acquire all of AIB and BOI’s exposures (including those less than €5 million) (PCAR 2011). The Financial Regulator’s statement was codified in the National Asset Management Agency (Amendment) Bill 2011, but the Bill was never passed, and the reversal was never implemented (Carroll and Dodd 2012).

NAMA accordingly began an accelerated transfer of most of the assets in its remaining tranches (three through nine) between October and December 2010 (NAMA Annual Report 2011; NAMA Progress Report 2014). NAMA would use the new valuation process “for purposes of expedited acquisitions” to calculate the amount of consideration NAMA would give to participants during this accelerated transfer (S.I. No. 504 2010).41 This leveraged sampling rather than loan-by-loan valuations (Honohan 2019). In the process, NAMA acquired these assets, it would conduct more detailed due diligence, produce a final long-term economic value for the assets, and revise its consideration cost accordingly (S.I. No. 504 2010).42 NAMA would not finish purchasing the remaining €3.4 billion in assets and conducting due diligence on assets purchased after the fourth tranche until March 2012 (European Commission 2014). By that point, NAMA had purchased a total of €74.4 billion in assets for €31.7 billion, leaving the participants with an average haircut of 57% (Oireachtas Inquiry 2016). The EC officially approved these transfers on July 29, 2014 (European Commission 2014).

41 In NAMA’s 2011 Annual Report, its CEO noted that “we had little information on the underlying collateral from the participating institutions” when they acquired the assets in tranches three through nine (See NAMA Annual Report 2011, 12).
42 After adjustments, NAMA realized its final valuation was around €0.5 billion more than its provisional valuation and paid the banks the difference (See NAMA Progress Report 2014).
19. **Asset Management and Disposal:** NAMA’s exit and disposal strategies were determined based on due diligence conducted on its borrowers.

Once NAMA had acquired an asset, it effectively took the position of the participating institution who had originally held the assets. NAMA used this legal leverage (the ability to “take enforcement against borrowers in default”) to motivate borrowers to submit business plans to NAMA (Carroll and Dodd 2012). However, NAMA itself did not take direct ownership of much property (NAMA Management of Loans 2012). NAMA only directly owned €6 million worth of property and had not directly sold any of this type of property by the end of 2011.

If the borrower in question was a major borrower (as defined by NAMA), they submitted a “realistic business plan which set out their current assets and liabilities” to NAMA within three months of joining the scheme. Upon analyzing the business plan, NAMA then proposed (and negotiated) short term and long term repayment strategies with the borrower (Martin 2010; Williams 2014). NAMA ultimately developed five types of strategies:

- **Full Restructuring:** Borrower goes through a full refinancing with new terms and conditions.
- **Partial Restructuring:** Nearly the same as “Full Restructuring” but “did not result in new loan agreements.” Instead, they set down the terms for borrower compliance in “Connection management agreements (CMAs).”
- **Support:** Borrower received financial support from NAMA on the condition that it “implement a number of milestones in relation to debt reduction.”
- **Consensual Disposal:** Large scale asset sale by the borrower over a “relatively short-term horizon.”
- **Enforcement:** Although this was only deployed when the debtor was not cooperative or the debtor could not demonstrate viability, this strategy involved NAMA enforcing the debts using whatever legal powers it had at its disposal (NAMA Second Progress Report 2018).

If NAMA and the borrower could agree on a strategy, NAMA and the borrower collaborated on making the arrangement feasible, potentially involving, but not limited to, debt restructurings and write-offs that the borrower would present to NAMA in a “request for support.” If these negotiations failed (or if collaboration failed to make the agreement feasible), NAMA asked for full repayment from the borrower, threatening enforcement proceedings (Williams 2014).

If the borrower in question was not a major borrower, the participants would provide asset management services, but the credit decisions were made by NAMA and NAMA was represented in each of the banking units (Williams 2014). These borrowers would have the relevant participant submit information on their financial performance to NAMA. Then, NAMA would sort borrowers based on the “level of their exposure, [...] creditworthiness and
level of impairment,” and prioritize the larger and more impaired borrowers for assessment under the procedure for major borrowers “as a matter of urgency” (NAMA Business Plan 2009). During YPFS discussions with NAMA staff, they expressed a sentiment that, if they were to run NAMA again, they would leave less asset management responsibilities with participating institutions or work with other firms to provide those services (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021). That being said, they noted that such a strategy might not have been viable in 2009 and 2010, as there were not as many credit and tax firms to provide such services in Ireland.

During NAMA’s 2011 due diligence and business plan assessment process, NAMA appeared to change its procedure for assessing the business plans of debtors managed by NAMA’s participants. Instead of only analyzing business plans at the debtor level, NAMA began to accept business plans at the “debtor connection, debtor or loan level depending on the individual characteristics of each case.” NAMA also changed this procedure by adopting a system, which NAMA called a “credit grading matrix,” for grading debtors on a combination of debtor performance and expectations of debtor recovery, although NAMA would not fully implement the system until 2012 (NAMA Annual Report 2012; NAMA Annual Report 2011).

On November 25, 2010, in line with NAMA’s attempt to expedite its asset purchases during late 2010, NAMA put forward a more “streamlined” version of its “Debtor Business Plan Requirements,” which replaced the original business plan for most debtors. The original, which NAMA described as requiring “detailed and comprehensive information,” was ultimately only used for “major debtors with complex corporate structures and whose loans transferred as part of the first three tranches” (NAMA Annual Report 2010; Debtor Business Plan Version 2 2010).

Ultimately, NAMA seemed to have a preference for disposing of its assets by sale “on the open market by private treaty, public auction, public tender and sealed bid” (private treaty is essentially the same as a private contract) (EBS 2017; Cas and Peresa 2016). NAMA frequently chose to package large numbers of related loans (typically after improving the underlying collateral) and selling them to large institutional investors (Cas and Peresa 2016).

Another feature of NAMA’s disposal strategy was how NAMA dealt with the potential conflict between NAMA’s purpose and NAMA’s functions (as outlined in the NAMA Act). While NAMA’s functions gave the organization a commercial primary mandate (to realize the best value for the assets), the purposes of the NAMA Act 2009 encompassed the stabilization of the banking system, improving liquidity, and contributing to social and economic development (National Asset Management Agency Act 2009, Revised 2018). In practice, this meant that NAMA would focus on its primary mandate. However, NAMA did conduct numerous operations related to social and economic development. This included a rent abatement program for tenants of NAMA borrowers and the demolition of “unfinished housing estates” (more popularly known as “ghost estates”). In response to the tight credit markets of 2012, NAMA created a vendor finance program for properties held by NAMA borrowers and receivers in Ireland and the UK. NAMA committed up to €2 billion over four
years for the program in May 2012, which would fund up to 75% of the purchase of properties by making medium term loans to new investors (NAMA Second Progress Report 2018; Vendor Finance 2014). However, NAMA only provided €384 million under the facility by the end of 2016 (NAMA Second Progress Report 2018). NAMA looked to “Ireland’s exit from the Troika programme [the IMF program it entered in the last quarter of 2010], the recovery in the Irish economy in recent years, increased investment in Ireland by international investors and the wider availability of capital provided by international and debt providers,” as well as “the introduction of Irish REITs as an alternative investment mechanism” as an explanation of the limited demand for the program (Vendor Finance 2014).

In 2012, NAMA also introduced the Deferred Payment Initiative for residential property purchases (NAMA Second Progress Report 2018; NAMA Deferred Payment Initiative 2014). In the program, buyers would pay 80% of the price upfront and would pay no additional amount if “after five years, the value of the house has fallen by 20% or more relative to its original purchase price” (NAMA Deferred Payment Initiative 2014; NAMA Second Progress Report 2018). In cases where, after five years, “the value of the house has fallen by less than 20% or has increased, the amount ultimately payable will be the lesser of the value of the house or the original purchase price” (NAMA Deferred Payment Initiative 2014). The program stopped accepting participants in May 2014, having only assisted in the purchase of 103 properties (NAMA Second Progress Report 2018).

20. **Timeframe:** NAMA had a long-term strategy for managing its assets, but did not have an organizational sunset date.

Once a loan moved onto NAMA’s balance sheet, NAMA began managing it and preparing for its exit. NAMA anticipated that it would conduct 7-10 years of asset management and then terminate itself. NAMA was not created with a sunset date; NAMA was to continue operating until its Board decided the organization should be wound down (Carroll and Dodd 2012). NAMA intended to recover about half of its investment through “partial or full restructurings, including by supporting debtors” and the “other half [of its investment] by disposals (consensual and enforced)” (Cas and Peresa 2016).

**III. Evaluation**

The EC broadly praised NAMA, stating that “By using a centralised asset protection scheme, banks effectively reduced the burden of legacy assets and strengthened their deleveraging and recapitalisation process.” It continued on to say that NAMA’s assets were “clearly defined, limited in size and relatively easy to sell,” which helped NAMA manage and dispose of its assets (European Commission 2015). Additionally, the European Commission noted that NAMA’s profitability also benefitted “from having part of its asset portfolio located in the UK and especially London, as this allowed for significant sales before 2013 as property prices in the UK market started recovering earlier (around 2010) (See Figure 11). NAMA then was able to add value to its properties and benefit from the Irish property market’s recovery beginning in 2013 (Cas and Peresa 2016).
### Figure 11: NAMA Property Collateral disposed of by the end of 2012 by location

<table>
<thead>
<tr>
<th>Location</th>
<th>Collateral sold to NAMA (November 2009 value in € billions)</th>
<th>Proceeds of disposals (in € billions)</th>
<th>Excess/deficit proceeds over November 2009 values (in € billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dublin</td>
<td>0.5</td>
<td>0.4</td>
<td>-0.1</td>
</tr>
<tr>
<td>Rest of Ireland</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>London</td>
<td>3.6</td>
<td>4.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Rest of Great Britain</td>
<td>0.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Rest of world</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.8</strong></td>
<td><strong>6.8</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

*Source: NAMA Progress Report 2014, 55.*

Charles Enoch of the IMF lamented the impact of a “lack of a universally accepted methodology for the valuation of assets,” which he said, “led to a protracted process whereby bank book values were repeatedly discounted, prolonging uncertainty, delaying normalization of bank funding, and undermining the credibility of the process” (Enoch 2013).

A review of three GFC-era asset management companies (AMCs) by the EC billed NAMA as a success story. It pointed out NAMA as having been “the most advanced of the three” AMCs when it came to asset sales, but argued that this was related to NAMA’s macroeconomic situation and the fact that NAMA’s assets were homogeneous, yet spread across multiple real estate markets. The review also commended NAMA for its tendency to sell its loans as “large packages to institutional investors,” describing it as a tactic that helped NAMA enhance the value of its assets. The paper continues, writing that NAMA’s expansive legal powers improved its ability to conduct speedy asset disposals and “ensure income generation from rentals.” With the ability to accelerate disposals of its impaired assets, NAMA was able to help “develop a functioning secondary market for distressed assets by sending a price signal.” However, it also noted that NAMA may have been less successful if it “had acquired Irish residential mortgage loans” and NAMA’s practice of “adding value” to its assets could distort the commercial property market (Cas and Peresa 2016). A World Bank study asserts that NAMA’s success was underpinned by its homogenous asset mix; NAMA’s acquisition of residential mortgage loans would make the AMC’s portfolio less homogenous. The same study also partially attributes Spain’s AMC’s issues offloading its real estate assets to the organization’s holding a mix of small residential and large commercial assets. Acquiring residential mortgage loans would mimic this less desirable mix.
As for the issue of NAMA’s value-addition activities potentially distorting the “ordinary functioning of the commercial property market,” this mostly pertained to NAMA’s work pursuing new development projects (Cas and Peresa 2016). NAMA’s size alone also did give it influence over some of the commercial property markets in which it was involved (BBC 2011).

Additionally, it asserted that NAMA’s practice of “Combining original goals with additional socio-economic activities” could deter NAMA from its “primary mandate” as well as contribute to “conflicting objectives.” Perhaps most importantly, the paper noted that NAMA had to be accompanied by other initiatives to repair the financial sector. It went on to say that post-crisis regulatory changes would render the lessons to be learned from NAMA less relevant in future. As for the first point, NAMA’s actions were not able to prevent Ireland from continuing to suffer a “very high NPL ratio” and “subdued [...] lending to the private sector” (Cas and Peresa 2016). NAMA’s own annual report from 2010 buttresses this point:

For a period, it perhaps had been reasonable to anticipate that NAMA on its own could have fixed the banking system, if the problem had been confined to the loan categories designated for NAMA. However, the sheer scale of the banks’ problems, which went far beyond the land and development and associated loans within NAMA’s mandate and which only emerged after NAMA’s work had begun, meant that [the] initial expectation was not realizable. (NAMA Annual Report 2010)

As for the second point, due to changes in the Eurostat rules, majority privately owned AMCs like NAMA are now formally included on the government balance sheet, thus making them difficult to implement when governments are financially constrained (Cas and Peresa 2016). However, credit rating agencies considered NAMA debt to be on the government balance sheet even during the organization’s early days anyways, which shows the limits of the strategy even before it was reined in by Eurostat (European Commission 2019a; Cullinan and Beers 2010).

The point of view of two analysts from the German Federal Statistical Office was that the “initial impact of its [NAMA’s] operations on general government’s deficit and debt” was effectively nil. This made NAMA “more advantageous [...] in comparison to the German liquidation sub-agencies.” However they also believed this advantage would be “to a large extent reduced by later government payments” that happened when the Irish government had to inject capital into a number of the participating banks to keep them in compliance with “international equity standards” once the participating banks recognized NAMA’s haircuts on their balance sheets (Braakman and Forster 2011).

A 2015 paper from Professor Dirk Schoenmaker of Erasmus University Rotterdam also praised NAMA, writing that it “serves as an international example of successful management of bad assets” (Schoenmaker 2015). In stark contrast to a World Bank study authored by Caroline Cerruti and Ruth Neyens, Schoenmaker argued that NAMA’s decision to purchase assets at November 30, 2009, values was a prudent one.43 He accepts NAMA’s view that the

43 That being said, a 2013 debate in the Oireachtas suggests that NAMA maintained the November 30, 2009 reference date due to the “regimental” requirements of calculating EU state aid (McDonagh 2013a).
purchase date “protected the banks from any further deterioration of the Irish property market” that would’ve come as a result of the 25-30 percent decline in property values after November 30, 2009. However, he also lamented that the government did not implement a proposal to have NAMA acquire “smaller commercial real estate loans,” popularly known as “NAMA II.” Schoenmaker also stated that external asset management may have helped resolve Ireland’s stock of non-performing mortgages faster, “but the ECB made such schemes financially unattractive as it limited ECB funding to banks only, excluding resolution vehicles” like NAMA (Cerruti and Neyens 2016; Schoenmaker 2015).

A World Bank study authored by Caroline Cerruti and Ruth Neyens gave NAMA a mixed review (Cerruti and Neyens 2016). They praised NAMA’s asset management structure as “offering the benefits of creating economies of scale in administering workouts, expediting loan resolution with specific expertise, and breaking “crony capitalist” connections between banks and developers.” They noted that NAMA’s clear commercial mandate, transparency and independence, “efficiency in managing the assets,” and good property mix allowed for NAMA’s “strong performance,” but did not substantially focus on NAMA’s other mandates (such as its ability to promote social and economic development). They also complimented NAMA for following through on “two key principles [...]”:

- no fire sales and no hoarding,
- and for professionalizing the Irish real estate market through its loan packaging program.

However, they also argued that the uplift NAMA applied to assets when calculating their long-term economic value (ultimately an average of 8.3%) and the choice to value the assets as of November 30, 2009, caused NAMA to overpay for its assets (because property prices continued to fall after November 30, 2009). They note several other areas where NAMA could have improved. Specifically, they attribute NAMA’s loss of “critical staff” to NAMA’s failure to maintain its program of linking bonuses with performance. Similar to Schoenmaker, they also lament that NAMA’s lack of purview over non-land and non-development loans kept it from fully cleaning up the Irish banking system, but they do not go as far as to say that NAMA should have been involved with these other loans.

This perspective, in which NAMA was an effective program, but by no means a panacea for Ireland’s problems, is similarly reflected by the Deputy Governor of the Central Bank of Ireland in a September 22, 2017, speech (Sibley 2017). He stated that NAMA was part of the solution, but “was by no means the silver bullet some people may think for resolving Irish NPLs overall, as SME and mortgage loans remained a serious and growing problem.” As evidence, he pointed to the fact that NPLs “only peaked in Ireland in Q4 2013, with an NPL ratio of 31.8%, more than two years after loans were transferred to NAMA.” Patrick Honohan, the former head of Ireland’s central bank, also saw NAMA as an organization that could not have been expected to solve Ireland’s economic woes on its own. Even if NAMA (and/or the Irish government) had overcapitalized the banks and shrunk the haircuts that the AMC would apply, Honohan argued that “to have done so would simply have brought forward the melt-down that happened in the autumn” of 2010 (Honohan 2019). His belief was that the Irish government simply did not have the fiscal capacity to handle the problem at the point without official-sector support from abroad.

The government’s 2016 Report of the Joint Committee of Inquiry into the Banking Crisis (the Report) provided the opinions of NAMA’s external auditor, the Comptroller & Auditor...
General (C&AG). The C&AG argued that NAMA chose a poor way to operationalize its mandate to seek “the best achievable financial return,” deciding to measure it through NAMA’s ability to redeem debt instead of some kind of “expected or target rate of return”. The C&AG also criticized NAMA for its failure to realize its anticipated rental income in 2011 (Oireachtas Inquiry 2016). The C&AG noted that NAMA’s asset purchases “removed a considerable element of the prevailing uncertainty about the credit institutions’ financial position in the aftermath of the banking crisis” (Oireachtas Inquiry 2015).

The 2016 Report itself criticized the government for the one-year lag between NAMA’s 2009 announcement and NAMA’s first transfers, saying that the lag caused “considerable uncertainty and difficulty for some developers, as they were caught in a ‘no man’s land’ between their financial institutions and a NAMA not yet formally established.” It went on to note that NAMA had negative effects on a number of the property developers who were “borrowers” in the program. Although the report conceded that NAMA’s practice of acquiring good assets in addition to bad assets from the participants allowed NAMA “to get more value from individual borrowers,” it damaged the reputation of at least one borrower of a participating institution in the process (Oireachtas Inquiry 2016).

NAMA was evaluated negatively in various left-leaning segments of Irish society as well as in the media. One reason for this was that NAMA socialized losses related to the financial crisis while supporting banks that ultimately still had to be bailed out and sometimes wound down (Williams 2014, 142). Journalist Frank Connolly criticized the organization for “failing to obtain the best return for the Irish people [...] by seeking to offload the properties as rapidly as possible” while allowing for a revolving door between NAMA’s staff, NAMA’s executives, and the property development industry (Connelly 2017). This point of view was echoed in one statement from the 2016 Report that “[NAMA] acted more as a debt collection agency than as a property value maximising entity” after receiving a recommendation from the troika to “accelerate NAMA receipts” (Oireachtas Inquiry 2016). Critics also faulted NAMA for a perceived lack of transparency in its operations as well as for leaking confidential information (Williams 2014). These criticisms tended to revolve around alleged malpractice by NAMA in its valuation and sale of large portfolios to institutional investors, resulting in a comprehensive investigation by the C&AG in August 2016 (C&AG 2016, 9; Houses of the Oireachtas 2016). Finally, in March 2016, a Financial Times article reported that developers blamed NAMA “at least partly, for Ireland’s acute housing shortage” (Boland 2016). When NAMA pivoted its activities toward property development, it also encountered criticism from the press. Stephen Dodd, a commentator on the NAMA Act 2009, questioned the legal basis of NAMA’s shift toward property development and the provision of affordable housing. Stephen Dodd, a commentator on the NAMA Act 2009, later questioned the legal basis of NAMA’s shift toward property development and the provision of affordable housing.

Discussions with NAMA staff told a more complicated story. They considered NAMA’s transparency limitations to be a double-edged sword (Susan McDermott and Jamie Bourke of NAMA, Zoom discussion with author, February 26, 2021). On one hand, they lamented that their Code of Conduct and compliance with the Official Secrets Act 1963 made it difficult to fully tell their side of the story to the public sometimes. On the other hand, if NAMA were a more transparent seller, and provided more information about its purchase (particularly the purchase price) of specific assets, NAMA might be put at a disadvantage as a seller. This would then hurt the taxpayer.
Dodd argued that “There is no authority for policy initiatives such as the use of Nama property for social housing unless they generate the optimal financial return compared to alternative uses” (Dodd 2012). Despite the negative press, media reports acknowledge that NAMA seemed pretty good at clearing NPLs and that non-participating banks were similarly criticized for selling off assets to foreign “vulture funds” (Moore 2018).

NAMA’s initial April 2009 proposal prompted support in the Irish media, but this support wavered by the time the NAMA Bill was introduced at the end of the summer (Mercille 2015). Although government officials and NAMA’s personnel consistently reiterated that NAMA was not a bailout and that the purpose of the organization was to clear the toxic assets off of bank balance sheets to allow for lending, “NAMA soon became perceived in the public consciousness as the agency through which the government put the interests of the banks ahead of the interests of its people” (Murphy 2011). It was difficult for the public to understand what exactly NAMA did and how NAMA would eventually help lending start again. These problems were so significant that the NAMA Act was only able to pass by a majority of four votes after a debate involving all-night meetings of the legislature (Connolly 2017).

Some continued to consider NAMA to be a bailout for developers. This was because there was a perception that NAMA sold loans back to developers at a discount. The Public Accounts Committee said that NAMA facilitated an “unacceptable” lack of systematic and routine verification of section 172 declarations. These declarations were supposed to keep developers from repurchasing their former properties from NAMA at a discount (Larkin 2019). According to Social Democrat TD Catherine Murphy, “the public expectation was that someone would not be able to buy back their loans at a discount.” However, the fact that the vast majority of NAMA’s sales were of loans rather than property and that the sales were largely not by NAMA itself meant that section 172 was largely irrelevant (The Irish Examiner 2019).

IV. References

Almunia, Joaquin. 2014. “Subject: State aid SA.38562 (2014/N) - Ireland Transfer of the last tranches (from tranches 3 to 9) of assets to NAMA.”


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45 Dodd also was critical of some of NAMA’s actions related to IBRC. In Dodd’s opinion, the government’s March 2011 order that NAMA “provide a short-term loan of €3.06 billion to IBRC (formerly Anglo Irish Bank)” to prop the ailing bank up blurred NAMA’s separation from politics. Dodd believed that such separation was essential to preventing the kind of difficulties experienced by Mexico and Indonesia’s AMCs (Dodd 2012).

46 As exemplified by this parody song that appeared on Irish radio in September 2009 (YouTube 2009).


Communication from the Commission on the treatment of impaired assets in the Community banking sector, INFORMATION FROM EUROPEAN UNION INSTITUTIONS AND BODIES


V. Key Program Documents

Summary of Program

DRAFT NAMA BUSINESS PLAN (October 13, 2009)
NAMA’s initial operating plan (put forward before passage of the NAMA Act).

NAMA BUSINESS PLAN 30th JUNE 2010
NAMA’s revised operating plan incorporating lessons from the Tranche 1 purchases.

REPORT of the Joint Committee of Inquiry into the Banking Crisis Houses of the Oireachtas
Chapter 9: Establishment, Operation and Effectiveness of NAMA (2016)
Oireachtas report describing the features and roll-out of NAMA through 2016.

– Fact sheet from NAMA explaining the scheme as it began its first purchases.

Implementation Documents

Streamlined template for borrower information that replaced the March 15, 2010 requirements.

Directions for filling out the Business Plan Version 2 template.

National Asset Management Limited Senior Notes guaranteed by the Minister for Finance
(June 22, 2011)
Term sheet outlining the details of the senior bonds that funded 95% of NAMA’s purchases and would pay interest if NAMA met unspecified financial milestones.
National Asset Management Agency Act 2009 (November 22, 2009)

NAMA Debtor Business Plan Requirements (March 15, 2010)
Instructions for the borrowers related to NAMA's assets regarding the business plans NAMA required the aforementioned debtors to produce. These requirements were comprehensive and were later used only for larger borrowers. https://ypfs.som.yale.edu/library/nama-debtor-business-plan-requirements.

NAMA Debtor Business Plan Datapack (June 1, 2010)

NAMA Cashflow Model (NAMACashflowModel2003.xls) (December 13, 2010)
Excel formula sheet for calculating business' discounted cash flow. The document is extremely comprehensive and appeared to be the work of external consultants. The document was also expected to work with the November 25, 2010 templates. https://ypfs.som.yale.edu/library/nama-cashflow-model-namacashflowmodel2003xls-december-13-2010.


NAMA Cashflow Model (NAMACashflowModel2003.xls) (Final Version) (September 6, 2011)
Finalized version of a formula sheet for calculating business' discounted cash flow. The document is extremely comprehensive and appeared to be the work of external consultants. The document was also expected to work with the November 25, 2010, templates. https://ypfs.som.yale.edu/library/nama-cashflow-model-namacashflowmodel2003xls-final-version-september-6-2011.

Statement of Affairs Borrower Template Declaration (November 25, 2010)

Initial compliance and oversight mechanisms for the European Commission as it relates to NAMA. https://ypfs.som.yale.edu/library/subject-state-aid-n7252009-ireland-establishment-national-asset-management-agency-nama-0.

Subordinated Bonds Term sheet (March 24, 2010)
Term sheet outlining the details of the subordinated bonds that partially funded NAMA’s purchases and would pay interest if NAMA met unspecified financial milestones. https://ypfs.som.yale.edu/library/nama-subordinated-bonds-term-sheet

Legal/Regulatory Guidance

Direction Concerning the Issuance of Government Guaranteed Debt by NAMA (May 14, 2010)
Direction (order) from the Minister for Finance that placed the price of all short-term government guaranteed NAMA debt in a band linked to the price of securities issued by the Housing Finance Agency. It also set up a similar band for the price of NAMA debt with a maturity of over one year relating to the price of Irish government bonds of similar maturities. https://ypfs.som.yale.edu/library/direction-national-asset-management-agency-pursuant-section-141-national-asset-management-0.

ECB Guiding Principles for Bank Asset Support Schemes (February 25, 2009) (Treasury 2009a)

National Asset Management Agency (Determination of Long-Term Economic Value of Property and Bank Assets) Regulations 2010 (S.I. No. 88 of 2010)
Regulation revising the processes for valuing NAMA’s assets and the underlying property, which followed discussions with the European Commission on appropriate discount rates. https://ypfs.som.yale.edu/library/statutory-instrument-si-no-882010-national-asset-management-agency-determination-long-term.

S.I. No. 546 of 2009 National Asset Management Agency (Determination Of Long-Term Economic Value Of Property And Bank Assets) Regulations 2009 (December 21, 2009)
Regulation setting down the processes and key terms for valuing NAMA’s assets as well as the underlying property. https://ypfs.som.yale.edu/library/statutory-instrument-si-no-5462009-national-asset-management-agency-determination-long-term.

National Asset Management Agency (Designation of Eligible Bank Assets) Regulations 2009
(S.I. No. 568 of 2009) (December 23, 2009)
Regulation designating what assets were eligible, which was in line with the recommended eligible assets in the NAMA Bill. https://ypfs.som.yale.edu/library/statutory-instrument-si-no-5682009-national-asset-management-agency-designation-eligible.


S.I. No. 504 of 2010 National Asset Management Agency (Determination of Long-Term Economic Value of Property and Bank Assets) (Amendment) Regulations 2010 (October 22, 2010)
Regulation providing for an expedited method for valuing eligible assets and the underlying property. This facilitated the late 2010 bulk transfer of assets. https://ypfs.som.yale.edu/library/statutory-instrument-si-no-5042010-national-asset-management-agency-determination-long-term.

S.I. No. 505 of 2010 National Asset Management Agency (Conferral Of Additional Function) Order 2010 (October 22, 2010)
Regulation setting the stage for the bulk asset purchase by adding the speedy acquisition of assets to NAMA’s list of functions. https://ypfs.som.yale.edu/library/statutory-instrument-si-no-5052010-national-asset-management-agency-conferral-additional.

Subject: Preliminary view on the ESA95 accounting treatment of the National Asset Management Agency (NAMA) and related majority privately owned SPV (Eurostat October 16, 2009)

The Minister for Finance directs the Agency to expedite the acquisition of remaining loans from the participating institutions (October 22, 2010)

Press Releases/Announcements

Ed Sibley: Non-performing loans – the Irish perspective on a European problem Speech by Mr Ed Sibley, Deputy Governor of the Central Bank of Ireland, at the second annual conference of the ESRB, Frankfurt am Main (September 22, 2017)
Academic speech outlining the development of Ireland’s non-performing loans problem. It

Financial Statement of the Minister for Finance Mr Brian Lenihan, T.D. 7 April 2009 Speech by the Minister of Finance announcing measures that include the first mention of NAMA. https://ypfs.som.yale.edu/library/financial-statement-minister-finance-mr-brian-lenihan-td.


Reports

Comptroller and Auditor General Special Report National Asset Management Agency
 Acquisition of Bank Assets October 2010 (October 7, 2010)
 First major oversight report by NAMA’s official external auditor, the Comptroller and Auditor
 General of the Republic of Ireland (C&AG). https://ypfs.som.yale.edu/library/comptroller-

Comptroller and Auditor General Special Report National Asset Management Agency
 Management of Loans (February 2012)
 Report from NAMA’s official external auditor on the development (as well as the
 implementation) of NAMA’s loan management processes. It also offers a survey of the assets in
 NAMA’s portfolio. https://ypfs.som.yale.edu/library/comptroller-and-auditor-general-
special-report-national-asset-management-agency-management.

Comptroller and Auditor General Special Report National Asset Management Agency
 Report from NAMA’s official external auditor on NAMA’s overall performance over its first three
 years. https://ypfs.som.yale.edu/library/comptroller-and-auditor-general-special-report-
national-asset-management-agency-progress.

Comptroller and Auditor General Special Report National Asset Management Agency Second
 Progress Report (June 29, 2018)
 Report from NAMA’s external auditor on the longer-term implementation of NAMA and its
 progress toward winding down its operations. https://ypfs.som.yale.edu/library/comptroller-
 and-auditor-general-special-report-national-asset-management-agency-second

Initial Evaluation of NAMA Operations (December 6, 2011)
 Pro-bono, high-level (management consulting style) analysis of NAMA’s early operations. Some
 of its findings contributed to NAMA’s 2012 reorganization. https://ypfs.som.yale.edu/library/letter-

NAMA Annual Reports for 2010-2018
 Section of NAMA’s website containing its annual reports and accompanying presentations for
 2010 to 2018. https://ypfs.som.yale.edu/library/national-asset-management-agency-
 annual-reports-webpage.

Nama Business Plan (June 30, 2010)
 Presentation outlining NAMA’s first official business plan (how NAMA intended to operate) as
 well as the results of NAMA’s first tranche. https://ypfs.som.yale.edu/library/nama-business-
 plan-30th-june-2010.

NAMA Key Tranche 1 Data (May 10, 2010)
 Presentation outlining the surprising results from the first tranche of asset purchases.
 https://ypfs.som.yale.edu/library/nama-key-tranche-1-data-may-10-2010.

NAMA one year later – A Lombard Street Research Report for the Construction Industry
 Federation November 2010 NAMA – a flawed idea and a failure (November 2010)
Privately commissioned report on NAMA from the point of view of the Construction Industry Federation. The report is critical of NAMA and it appears to be for advocacy purposes. https://ypfs.som.yale.edu/library/nama-one-year-later-lombard-street-research-report-construction-industry-federation.

NAMA QUARTERLY REPORT (Section 55 NAMA Act 2009) (June 30, 2010)

Patrick Honohan: Recapitalisation of failed banks – some lessons from the Irish experience (September 7, 2012)
Speech-cum-academic paper with a useful description of the recapitalizations preceding and following NAMA’s asset purchases. It also provides a useful outline of the impact of NAMA’s initially overly optimistic performance estimates for its portfolio. https://ypfs.som.yale.edu/library/recapitalization-failed-banks-some-lessons-irish-experience.

Stabilising and Healing the Irish Banking System: Policy Lessons (January 12, 2015)
Short academic paper giving commentary on Ireland’s overall crisis response. There’s a particularly relevant section looking at the potential (but rejected) expansion of NAMA. https://ypfs.som.yale.edu/node/4145.

Treatment of Special Bank Interventions in Irish Government Statistics (2011)

What Makes a Good ‘Bad Bank’? The Irish, Spanish and German Experience (May 24, 2016)
Report from European Commission analysts putting together best practices from three public asset management companies implemented within the European Commission during the GFC. It also contains a useful discussion of changing Eurostat regulations and the growing relevance of the Bank Recovery and Resolution Directive (BRRD) to the operation of such companies. https://ypfs.som.yale.edu/node/3681.

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