

Presentation to the Royal Institute of Chartered Surveyors

The Emerging Face of NAMA

Presented by
Denis Murphy
Director, Deloitte
Debt Advisory



Background to NAMA

- Massive growth in property related lending 2004 – 2007
- Imbalance between supply and demand
- Enormous scale of lending to individuals and companies solely on back of increase in value of property assets which had become decoupled from underlying investment returns
- Poor quality credit appraisal
- Over reliance on wholesale money markets

The Road to NAMA

September '08

- Government involvement in banking system – guarantee for bank liabilities (€440bn) to address significant liquidity pressures

November '08

- External examination of loan books

December '08

- Banks require recapitalisation

January '09

- Nationalisation of Anglo Irish Bank

March '09

- BOI recapitalisation - €3.5bn

April '09

- NAMA announced in Supplementary Budget to address losses in property sector

May '09

- AIB recapitalisation - €3.5bn

September '09

- NAMA Bill introduced into Oireachtas

December '09

- NAMA formally established and Board Appointed

The Road to NAMA

February '10

- EU approval of NAMA

March '10

- First loans start transferring to NAMA

May '10

- Completion of the transfer of Tranche 1 into NAMA – top 10 borrowers

August '10

- Completion of the transfer of Tranche 2 into NAMA – next 20 largest borrowers

November '10

- IMF/EU bailout agreed - Additional €16bn to be transferred from Bank of Ireland and AIB under IMF/EU deal

December '10

- Balance of loans transferred to NAMA – total €71.2bn

Loan transfers

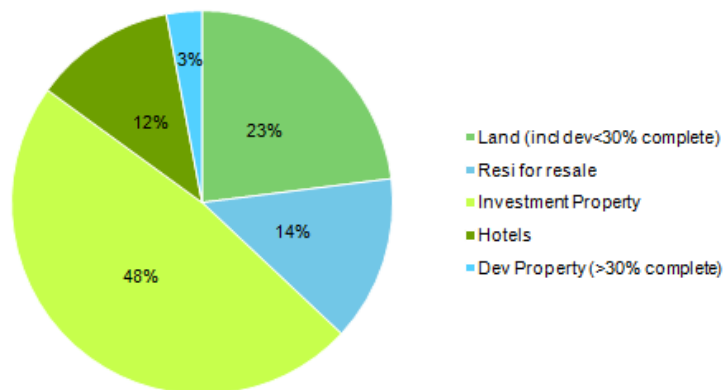
€71.2 billion has been acquired, a further €16 billion yet to be purchased (IMF Requirement)

Bond Value of €30.2 billion issued to the five institutions representing an aggregated discount of 58%

Tranche 1 & 2 data has been published for each bank as follows, valuations are ongoing for balance of loan transfers:

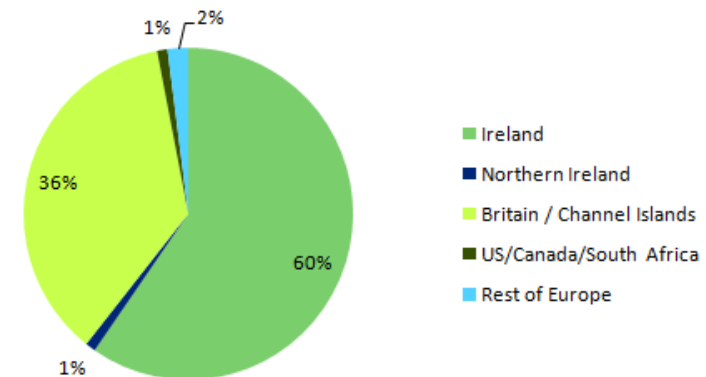
€bn	AIB	BOI	Anglo	INBS	EBS	Total €bn
Acquired loans	6.01	3.75	15.99	1.26	0.18	27.19
NAMA € paid to institutions	3.31	2.39	6.72	0.44	0.11	12.97
<i>Discount on Tranches 1 & 2</i>	<i>45%</i>	<i>36%</i>	<i>58%</i>	<i>64%</i>	<i>38%</i>	<i>52%</i>
Total Remaining Tranche	17.0	8.3	0.67	7.7	20.0	53.7
Expected discount on the remaining balance	60%	42%	67%			
Total Loans to be Acquired	23.01	12.05	16.66	8.96	20.18	80.89

Breakdown of Asset Class: T1 & T2



Source: NAMA

Geographical Breakdown of T1 & T2

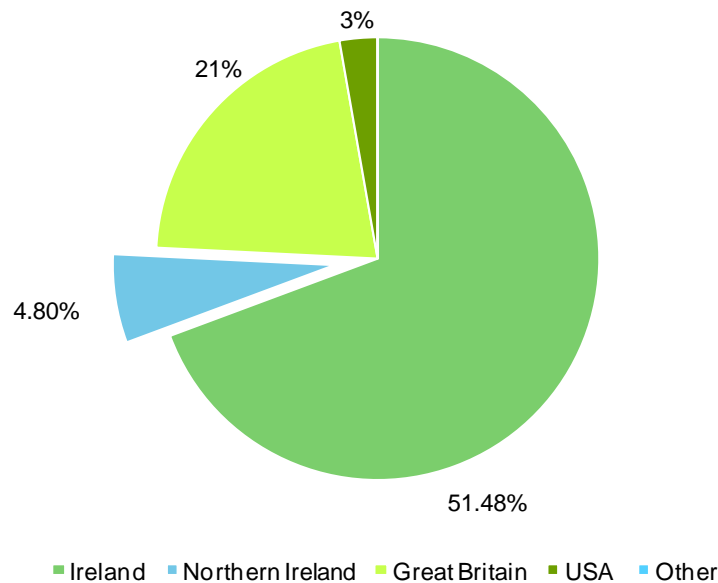


Source: NAMA

NAMA & Northern Ireland

- c.Stg£3.35bn of NAMA debt secured on assets in Northern Ireland, predominantly in undeveloped land as outlined below:

Geographical Breakdown of NAMA Portfolio (€ bn)

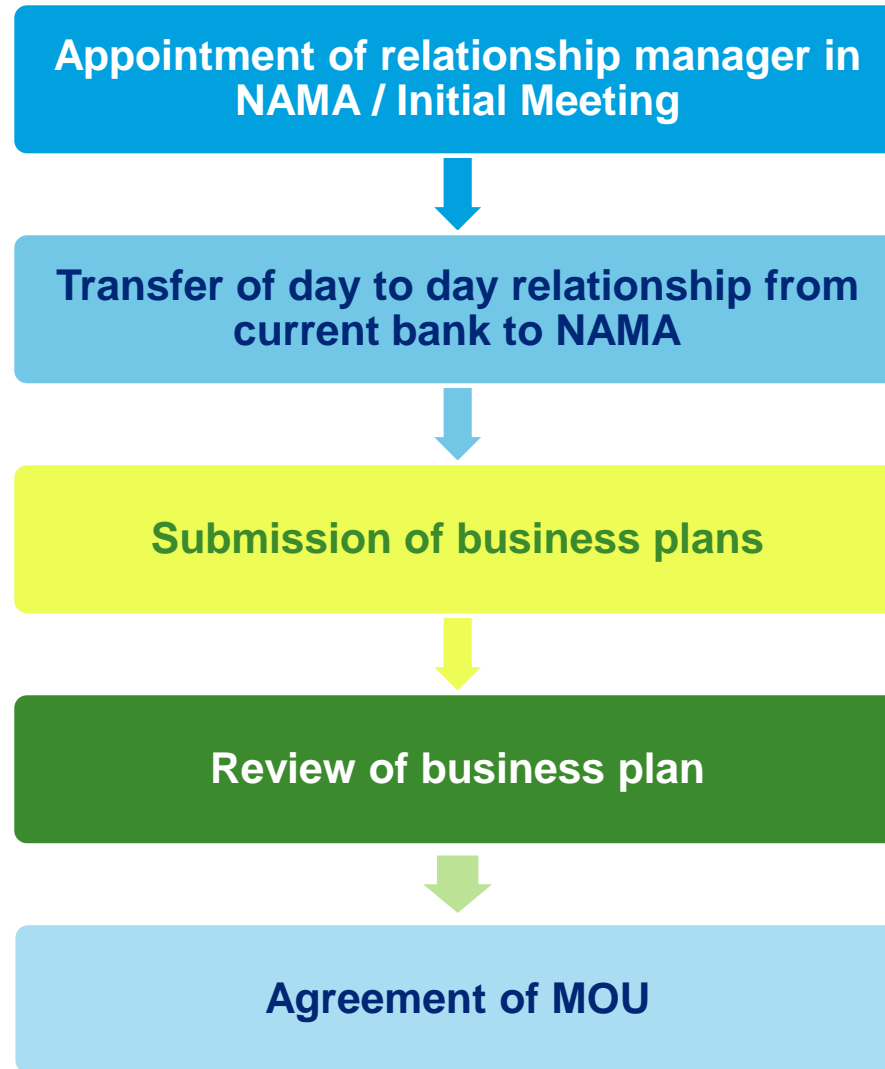


- Level of development land borrowing poses significant risk that large parcels of previous development land will revert to agricultural value

NAMA Activity on Transferred Loans

- Business Plan Reviews are concluded for the tranche 1 & 2 borrowers representing €27 billion of the loans acquired.
- Top 170 debtors (€59bn) to be managed directly by NAMA. Balance of Debtors (680) to be managed by PI's under NAMA supervision
- The sale of €1.6 billion in property assets has been approved to pay down NAMA borrowings either to the Agency or other relevant banks. A portion of these funds was released to make payments to other Non – NAMA lenders.
- €592m has been approved by NAMA to fund working capital and construction projects such as Montevetro, the National Convention Centre and Point Village.
- c.€300 m will shortly be repaid to the Minister for Finance and Senior NAMA bond holders from the sale of assets

NAMA Process on take over of a loan (top 170 borrowers)



NAMA Business Plan version 2

Objective: To agree a plan with NAMA which sets out the way forward

- Outline plans for the borrower asset;
- Outline the financial outcome from the secured assets based on the Borrower's proposals;
- Decisions regarding a borrower will be based on the plan;
- Business Plan index is very prescriptive;
- Cash flow pack required with detailed financial analysis.

The NAMA Business Plan is divided into two main elements:

1. A plan outlining the borrowers vision for the secured assets
2. A cash flow forecast based on the above vision completed in a standard template

NAMA Business Plan

Property Analysis

- Outline development plans
- Cost/ benefit analysis
- Valuation
- Rental income
- Disposal programme

Financial Information

- Forecast cash flow, P&L and Balance Sheet
- Historic financial performance

Statement of Affairs

- Details of all assets held by borrower
- Details of any transfers to related parties

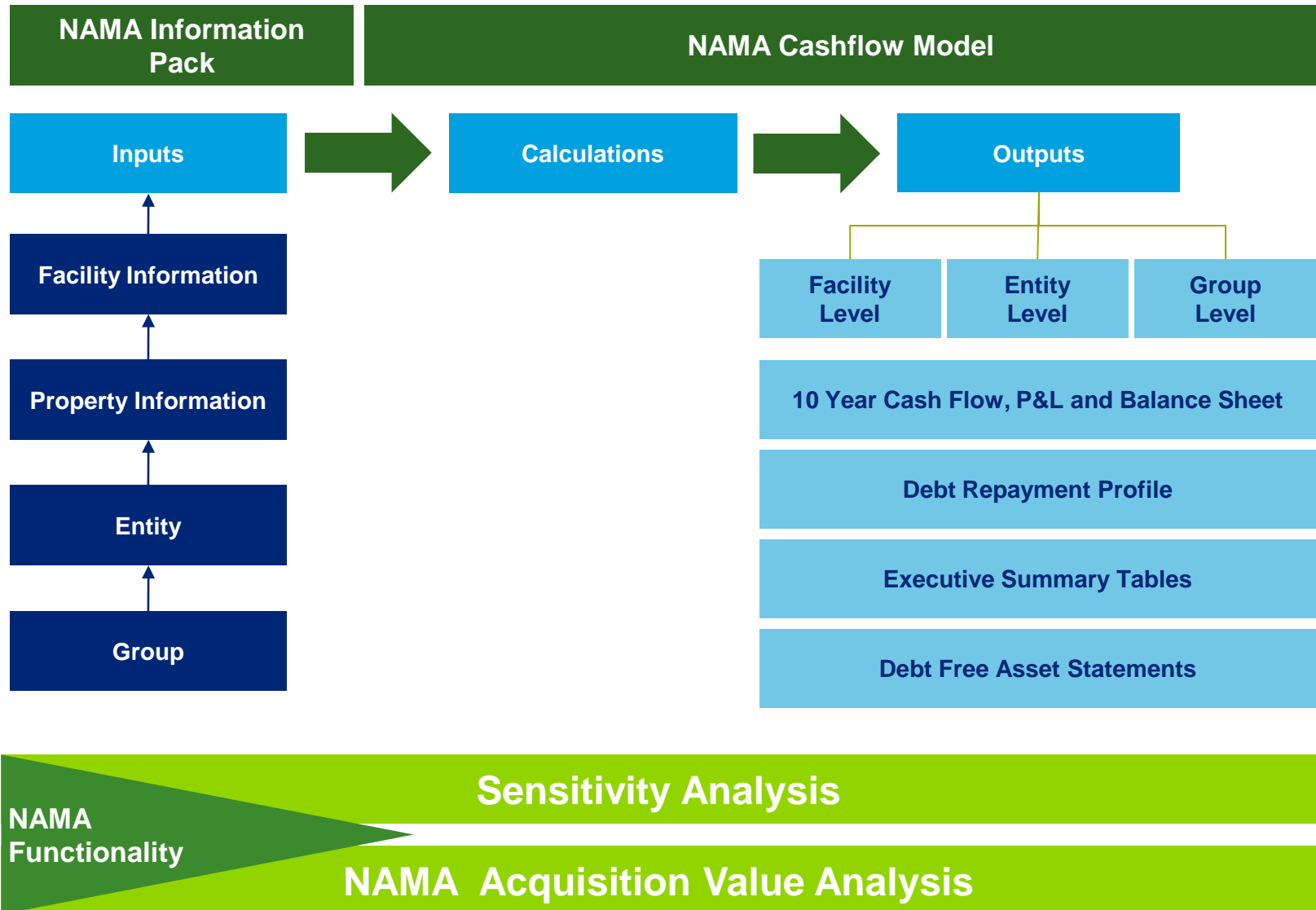
Corporate Overview

- Corporate structure
- Group strategy
- Description of all activities

Management and Employees

- Management structure
- CV's for key people

Cashflow Forecasts Overall Structure



Changes in New Business Plan

- Greater focus on cash flows with reduced emphasis on P& L and Balance sheet
- Greater guidance from NAMA on information requirements, including:
 - Statement of affairs for borrower
 - Declaration of related party asset transfers
 - Increased scrutiny of Non NAMA assets / loans
- Simplified index, reduces both burden in producing the plan
- Automatic production of output tables required for plan.
- Common format will make Independent reviews more efficient as reviewers do not need to become accustomed with a new model each time (or build new models);
 - Allows the ability to perform extensive sensitivity analysis on the Business Plan
 - Information pack a working tool for NAMA.

External Review of the Business Plan

- Upon receipt of the business plan, NAMA appoints an external review team of accountants and property advisors.
- The purpose of the review is to:
 - Examine any short term working capital or cash flow issues;
 - Test reasonableness of borrower assumptions/plans for properties;
 - Recommend an exit strategy to NAMA for each property;
 - Consider the suitability of completing development projects;
 - Comment on the borrowers' overhead structure;
 - Assess the role/importance of the promoter;
 - Forecast the financial outcome to NAMA from the secured assets;
 - Outline alternative options for NAMA;
 - Recommend if NAMA should work with a developer.

Key Lessons to Date from the NAMA Process

- Developer valuations and exit timelines
- Funding for new and ongoing developments
- Asset disposal and debt repayment timetables
- Significant overhead reductions sought
- Importance / role of the promoter
- Timelines for preparation and review of business plans reducing

Key Issues for NAMA Going Forward

- Early capital repayments versus overall long term debt recovery
- Perfecting existing security
- Scale of loans to be restructured
- Success highly dependent on uplift in Irish property sector – no movement to date
- Balancing public scrutiny with need to take commercial risks to maximise long term returns

Thank you for your attention.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/ie/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. These materials and the information contained herein are provided by Deloitte & Touche and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s). Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. These materials and the information contained therein are provided as is, and Deloitte & Touche makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte & Touche does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte & Touche expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte & Touche will not be liable for any special, indirect, incidental, consequential or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence) or otherwise, relating to the use of these materials or the information contained therein.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

© 2010 Deloitte & Touche. All rights reserved