

NAMA Business Plan Version Two

Introduction and Overview

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Introduction

Introduction

- NAMA – Established under NAMA Act 2009
- Operational since December 2009
- €71.2billion, (nominal value), has been purchased by NAMA for c.€30.2bn
 - Approx. 11,000 loans
 - Approx. 850 borrowers
- Additional €16bn (nominal) yet to be purchased – AIB\BOI sub €20m – EU\IMF – directly managed by both banks under NAMA supervision
- 30 Business Plans (€27bn nominal value) reviewed by December 2010
- Business Plan Version 1 suitable for larger connections
- Business Plan Version 2 designed for smaller debtors with 20 loan facilities or less and a maximum of 300 assets

Why was Business Plan Version 2 developed

Business Plan Version 1

- Designed to facilitate complex Debtor portfolios - mostly Tranche 1 & 2
- More focus on financial rather than property information
- Very detailed data pack that required third party financial advisory support for completion
- No standardised financial model produced by Debtors which resulted in delays in Independent Business Review (IBR) process
- Generated large documents, requiring substantial time investment to complete & review by (IBR's)
- NAMA and other stakeholders recognised that a simplified and more property focused version of the Business Plan would be required for less complex Debtors
- Hence Business Plan Version 2 developed

Reasons for Development of Business Plan Version 2

- Requirement for a **simplified and more property focused Business Plan** for less complex Debtors
- Increased focus on **property and lending / cashflow information**
- **Remove onus on Debtors to perform complex financial analysis** - now automatically generated from inputs
- Debtors **can complete BP Version 2 themselves** without 3rd party help
- **Key Reasons for developing Business Plan Version 2:**
 - **Increase property focus** of information provided
 - Ensure parties within NAMA are able to **get the information they require**
 - Make the Business Review process **more efficient** (including the IBR process)
 - **Reduce professional fees** incurred by Debtors
 - **Reduce time involved** in preparing the debtor business plan
 - Provide NAMA with **a base working file** in the form of the NAMA Information Pack
 - Create a **standardised financial model** to be utilised by NAMA and its IBRs
 - **Create a link between the NAMA cash flow model and the text version of the Business Plan** via the various summary tables produced

NAMA Business Plan Process

Purpose of the NAMA Business Plan Process

- Opportunity for NAMA to
 - **Interact with Debtors** in a structured format over an 8-10 week period of time
 - Gain a detailed **understanding of the Debtor** and their business in a short period of time
 - Interact and evaluate the key members of the **Debtors management team**
 - Gain an understanding of the **dedication and motivation** of the Debtor and their management team
 - Gain an understanding of the **debtor's strategy for debt repayment** and for each piece of **security held** for the various loans it has purchased
 - Interact with the Debtor on the **daily issues** that they are having to deal with

Purpose of the NAMA Business Plan Process

- Requires the Debtor to present:
 - **An estimate of what they believe to be achievable** and how to achieve it
 - Proposals in relation to **group overhead** for the implementation of their Business Plan
 - And highlight **any issues that need critical attention** (e.g. creditors, litigation etc)
- Allows a third Party Independent Business Reviewer (IBR) to **evaluate the Debtors business plan** and challenge the various assumptions and estimates included in it
- Provides NAMA with a third party evaluation on how to **return the maximum amount of money to the State** and a view on whether the Debtor is best placed to deliver this required outcome

Business Plan Process for Top 170 Debtor Connections

1

Debtors receive notification of purchase of loans by NAMA from their Lending Institution

Notification

2

Initial meetings with NAMA to discuss plan and working relationship

- Introduction to NAMA Portfolio Manager and case managers
- NAMA objectives re-iterated
- Identification of key projects/issues
- Discuss project plans and Business Plan process and timetable for delivery
- Information on Rental / Income distribution / existing Group overhead

Initial Meeting

3

Preparation and Submission of Business Plan by Debtor to NAMA PM Team

Submission of Business Plan

4

External review of business plan by Independent Business Reviewer (IBR)

- Reasonableness of assumptions
- Detailed analysis of forecasts and development appraisals
- Present external view of projected outcome

Independent Business Plan Review

5

NAMA internal analysis and review of IBR report and Debtor Business Plan through Credit Committee/Board process

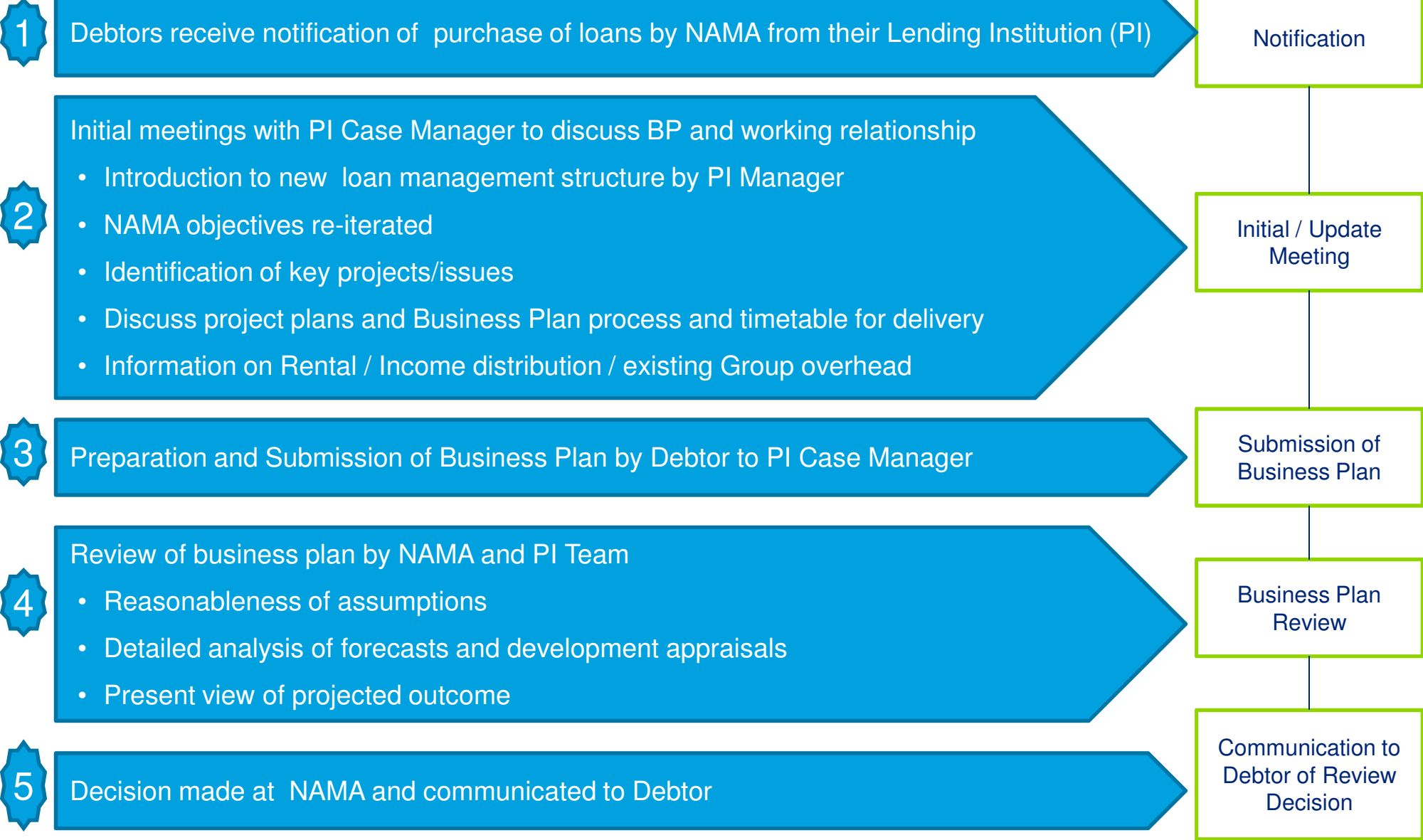
Credit Committee / Board Presentation

6

Decision made at NAMA Credit Committee/Board and communicated to Debtor

Communication to Debtor of Credit Committee Decision

Business Plan Process for + 170 Debtor Connections



Required Debtor Business Plan Objectives in line with NAMA Business Plan 30th June 2010

- Debt Reduction
 - Achieve significant debt reduction (to an appropriate level) within a period of 3-4 years. In line with NAMA Board policy
- Cash Sweep
 - Unless secured by non-NAMA banks, all available cash-flow (including full sales proceeds, net of costs approved by NAMA) should be remitted in full to NAMA by way of cash sweep in advance of overhead payments
- Working Capital
 - In the short term, overheads and agreed costs should be agreed in advance with NAMA and will be funded by way of agreed working capital facilities
- Development Funding
 - NAMA has limited resources to fund development expenditure
- Income Generation
 - In all cases, up to the point of asset disposal, cash generation from each asset should be maximised

Differences between Business Plan Version 1 and 2

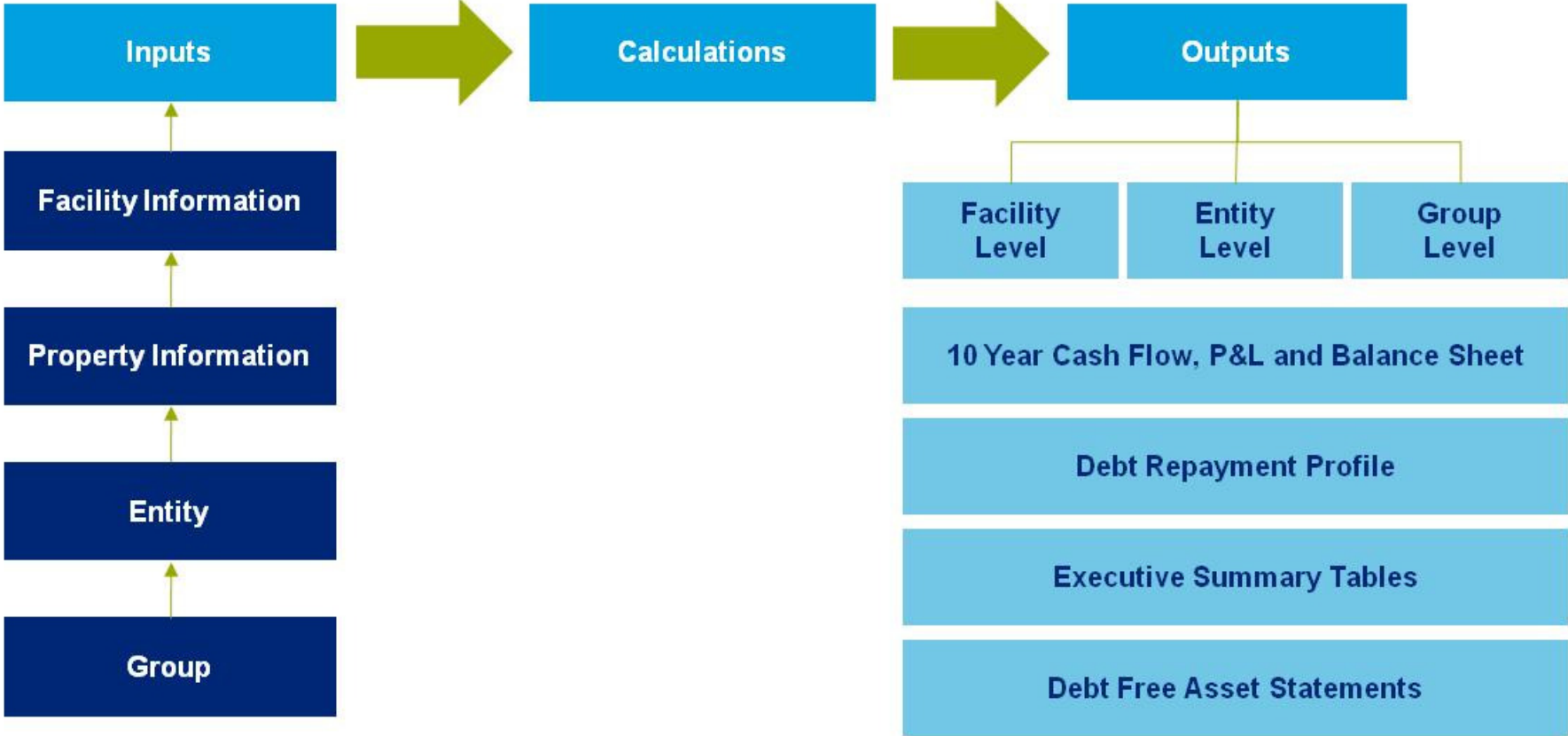
What's Different?

- Overall objectives are the same as with Business Plan Version One and the NAMA Board objectives
- Increased prominence is given to:
 - Sworn Statement of Affairs of the Debtor(s)
 - Non-NAMA Lenders, their security and the repayment of these facilities
 - Group cost requirements in the short term and what these relate to
 - Unencumbered assets and how the Debtor(s) intends to use these to support debt reduction / group overhead
- Decreased prominence is given to:
 - Historic financial information (note the 'Statement of Affairs' requires the disclosure of historic transfers)
 - Market Analysis section with the report, however this may still be of use for trading assets

What's Different? (contd.)

- Certain assumptions have been imposed on the Debtors by NAMA
- A separate Datapack is not required alongside the NAMA Cashflow Model
- Requires 10 year projections as a minimum unlike the 3 years previously required
- Model release by Debtor Advisors (Hold Harmless) issues no longer applicable
- Similar levels of information is required for Non-NAMA lending as NAMA

Business Plan Version Two Overall Structure



Business Plan Version Two Document

Features of Business Plan Version Two

- Link between Model and Business Plan document
- Standardised Template for Debtors to complete – single point of input
 - Tables for inclusion in the Executive Summary of the NAMA Business Plan text document are automatically generated by the NAMA Cashflow Model
- Full Connection View:
 - NAMA/Non NAMA Debt
 - Encumbered and Unencumbered Assets
 - Other Income/Assets/Liabilities
- 10 Year Model Projection
- Increased focus on cashflow as well as profit & loss
- Focus on debt reduction in line with NAMA guidance
- Standardised cashflow assumptions
- Result in quicker IBR turnaround by NAMA

Conclusion

Conclusion

Benefits of Business Plan Version Two

- For Borrowers:
 - Greater guidance from NAMA on information requirements and debt reduction;
 - Reduces both the financial and time burden in producing the Business Plan pack;
 - Consistent approach for the instance where more than one Business Plan is required;
 - Requests information in a format readily available and understandable to Debtor; and
 - Automatic production of output tables required for plan.
- For NAMA and Independent Business Reviewers:
 - Provides information in a common format making plans comparable;
 - Common format will make 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; and
 - Streamlines the IBR process.

Getting Debtors and NAMA working together towards debt reduction quicker and more cost effectively – understanding each others objectives.