

NAMA RESPONSE TO COMMISSION QUESTIONS

PARTIAL
ACCESS

1. Could you please clarify the relationship between the vendor and NAMA? Our understanding is that in several cases NAMA could be acting as vendor. Could you give us examples in general of situations where NAMA and the vendor would be different entities? Why would NAMA intervene in the context of real estate assets that it does not own? This would help us better visualize the context.

NAMA has purchased loans from participating financial institutions. The debtors under certain of these loans are developers of residential property and the property is the underlying security. NAMA will not be the vendor in any case; rather the vendor will be either the debtor to NAMA (i.e. the developer) or, in some cases, the property may be sold by a receiver appointed by NAMA. In either case, NAMA will receive the proceeds of the sale of the property in payment of amounts owed by the debtor to NAMA.

2. In the NAMA decision (26 February 2010), the Irish authorities made several commitments in order to ensure that rights, exemptions and powers granted to NAMA for the management of the assets post acquisition which are specific to NAMA and not available to other market operators will not lead to distortion of the competition (in this respect see para 127 of the Decision). The Commission further expressed a view that the supervision of the use of those powers was necessary. Therefore, the Commission in its Decision required and obtained the commitment by the Irish authorities to report on a yearly basis on the use of such post acquisition powers to both the Commission and the Irish Competition Authority in order to allow the latter to take any action they consider as adequate if they deem that NAMA's use of its powers has resulted in competition distortions (para 128 of the Decision).

The Initiative will not involve the use of any of the specific post-acquisition powers granted to NAMA under the National Asset Management Agency Act 2009 and, as such, the Initiative does not come within the scope of the commitment in the NAMA Decision. NAMA therefore considers that a deferred consideration structure is open to all market participants.

3. In particular, is there the risk that the 80% of the agreed price paid on closing would be taken as the new market price, and would inform the independent valuations for

other properties?

More in general, it would be helpful to share with us any economic analysis or study (if available of course) that supports the view that such practices are beneficial for the Irish real estate market.

NAMA does not believe this to be a significant risk, in particular since the Initiative is a very limited scope measure, confined to a small number of properties in certain local areas.

The Initiative incorporates a number of safeguards including a clearly defined and short-term availability, a very limited number of properties in a small number of locations and phased release. The phased nature of the Initiative will allow it to be monitored by NAMA so that it may be amended or withdrawn if it were to become apparent that the desired outcomes are not being achieved.

All properties included in the Initiative will be subject to independent valuation. 100 per cent of purchase price for the property, as independently valued, will ultimately be payable at the end of the five-year period, subject to any decline in value not having been recovered at the end of that time.

It should be noted that in the year to December 2011, residential property prices fell by 16.7%¹ at a national level.

A copy of the report (prepared by DKM Economic Consultants) is attached for the information of the Commission.

¹ CSO Residential Property Price Index December 2011