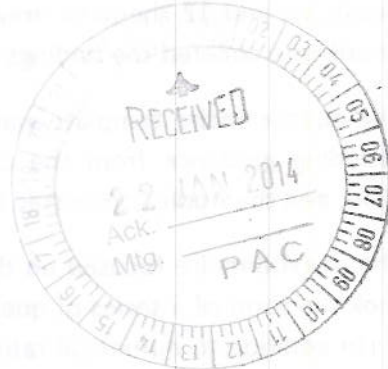


Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

Private and Confidential

Niamh Maguire
Committee Secretariat
Dáil Committee of Public Accounts
Leinster House
Dublin 2

22nd January 2014



Re: PAC Committee Meeting, Friday 27th December 2013


Dear Ms Maguire,

Your correspondence of 9 January 2014 refers.

Please find attached:

1. a summary of the most recent annual evaluation of NAMA's board of directors
2. a note on the number of loans acquired by NAMA at zero consideration

Yours sincerely,



Martin Whelan
National Asset Management Agency

Note 1: NAMA BOARD EVALUATION 2013

Methodology

The NAMA Board has conducted an annual evaluation of the Board and Board Committees each year since mid-2011. The most recent annual evaluation was undertaken in July 2013, covering the period 1st July 2012 to 30th June 2013. The methodology employed was self-assessment with members requested to complete a detailed questionnaire (comprising 54 questions and 12 thematic areas) and return the completed form to the Secretary to the Board who collated the findings and prepared the report.

The questionnaire template was based upon good practice guidance on Board evaluation, including guidance from the OECD, European Commission, Financial Reporting Council, NSAI, and the Audit Committee Institute.

The questionnaire focused on the organisation, processes and behaviours of the Board. It took the form of a series of questions which were to be awarded a rating on a scale of 1 to 4. In addition to numerical ratings, space was provided for members to add comments on each question area, and members were encouraged to add comments for improvement/action as appropriate. In this way, the report was designed to provide not only quantitative feedback through the collation of allocated scores but important qualitative data to be acted upon.

The report mapped the satisfaction levels as they pertained to each question (and theme), and in addition the particular comments of members were presented in the report in unattributed form.¹ Trend data was also provided vis à vis the scores of similar questions in previous years. The Board Secretary and Chairman then suggested a series of actions which arose from the comments (or appeared to address issues raised by the ratings) for the Board's consideration and approval. The actions approved by the Board became an agreed action plan for implementation.

An annual Committee evaluation on the same lines as the Board Evaluation is undertaken in tandem with and in similar format to the annual Board process. Separate questionnaires deal with each of NAMA's six Board Committees (again overseen by the Secretary to the Board).

Summary

The completed Board questionnaires illustrated an overall satisfied/very satisfied rate of over 95% which is similar to the outcome of the 2012 evaluation. The thematic satisfied/very satisfied rates covering areas such as the Role of the Board, Operation of the Board, Finance, Risk & Controls, and Chairman were similarly positive.

Notwithstanding the positive overall satisfaction levels, the feedback – as expected in any such evaluation – did point to a number of issues potentially requiring attention. These related to the desirability of continuing to have a mix of expertise and skills on the Board;

¹ In this regard the confidentiality of individual comments was safeguarded, which is regarded in good practice models as very important.

continuing to balance strategic, governance and information issues at Board and reviewing agenda management accordingly; a continuing focus on succession planning; and regular rotation of Committee composition as Board membership permits.

The Board held a special meeting in October 2013 to consider the evaluation and to agree the action plan. Implementation of the action plan is overseen by the Secretary to the Board and the Chairman and reported on to the Board. Some items have already been closed out and remaining items are in the process of implementation.

As part of its annual statutory audit, the Deputy Director of the Office of the C&AG with responsibility for NAMA is provided with access to the questionnaire, the final report and the action plan.

Note 2: Loans acquired by NAMA at zero valuation

The total nominal or par value of loans acquired for a nominal consideration was of the order of €3.5bn.

There were a number of reasons why this occurred but that the main reason related to defective legal security, meaning that the security was not fully enforceable or, in some cases, entirely unenforceable as some were unsecured loans. In all cases where defective security was identified as a problem, it was NAMA's practice to allow the participating institutions sufficient time to perfect security – this extended to a period of twelve/eighteen months in some instances. A zero or low acquisition value was only applied where protracted efforts by the original financial institutions to perfect security proved to be unsuccessful.