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AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉI- REACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Dé Céadaoin, 22 Iúil 2015

Wednesday, 22 July 2015

The Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Pearse Doherty,	Senator Sean D. Barrett,
Deputy Joe Higgins,	Senator Michael D'Arcy,
Deputy Michael McGrath,	Senator Marc MacSharry,
Deputy Eoghan Murphy,	Senator Susan O'Keeffe.
Deputy Kieran O'Donnell,	
Deputy John Paul Phelan,	

DEPUTY CIARÁN LYNCH IN THE CHAIR.

ronment where people are performance managed in a fair but tough way; ensuring that conduct risk is at the very centre of the discussions again that take place around the top table. Again, it's easier to have those discussions when you've an independent CRO reporting both in to the board and in to the chief executive, conduct risk being the ... ensuring that the bank is doing the right thing by the customer; that they're making every effort to sell them the right kind of product at the right time; that the customer's eligible for that product; and that the customer can afford that product etc., etc.

That concept of conduct risk wasn't there ten years ago. It's a new phenomenon and if we build our bank based on conduct risk and based on having those transparent behaviours, we can bring it back to a good space. There are some countries in the world, like Canada, which we mentioned earlier on, like Australia, like Singapore, where I lived and worked for a number of years, where banking has a better reputation. I'm not saying that it has the very best reputation but a much better reputation than it has here, for example, in Ireland, and understandably after what has happened in Ireland, but I do believe, and I am confident, that with the right culture and the development of that culture, we can bring banking back to be a sustainable, responsible part of the economy, where people who work in banks - decent people, I mean, you know, there are a lot of ... thousands of decent people who work in banks - aren't embarrassed to get into the back of a taxi and say, when the taxi driver asks them, "Where do you work?" they're afraid that ... they don't want to say they work in a bank. We've got to get over that. And culture-----

Chairman: You share that with a few professions, I'd say, Mr. Murphy, and maybe you're in proximity to a few of them at the moment.

Mr. Fergus Murphy: And culture is at the centre of that. And the culture of an organisation, nine tenths of it is under the waterline. It's like an iceberg: one tenth is over the waterline. So you have to work on that culture very, very hard and for many years because a culture grows over a 40-year period and, you know, it's subtle, whereas a strategy, you can see. It's in a paper, you can measure it, it's in a spreadsheet. So, our task now is to build that culture and it's early days but I would like to say, and I believe it is the case, that in AIB - and I'm sure it's the same in the other institutions - we can see the culture changing, we can see that we are there for the customer. It's not about the bank; it's not about the banker; it's not about the bankers bonus; it's about doing and fulfilling for the customer. And if we do that, we've a chance of respectability for banking again.

Chairman: Okay, thank you very much, Mr. Murphy. With that, I'm going to bring matters to a close. I just propose that we just take a very, very short private session after this just to work out the, kind of, sequencing for something to eat and all the rest of it. I've just been on to the canteen services here and I'll just give information to members about that as well. So with that said, I propose that we suspend just a few moments so we can excuse Mr. Murphy, and on doing so, thank you for your participation and for your engagement with the inquiry. And to now formally excuse you. Thank you very much, Mr. Murphy.

Mr. Fergus Murphy: Thank you very much, Chairman. Thank you.

Sitting suspended at 3.22 p.m. and resumed at 4.45 p.m.

Ballymore Group - Mr. Sean Mulryan

Chairman: I now propose that we return to public session is that agreed? Agreed. The

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Committee of Inquiry into the Banking Crisis is now resuming in public session and can I ask members and those in the public Gallery to ensure that their mobile devices are switched off? At our next session we will hear from Mr. Sean Mulryan, founder of Ballymore Group. This is one of several sessions in which the inquiry will focus on the relationships between property development companies and our principal financial institutions.

Sean Mulryan is an Irish property developer and the founder and chairman of the Ballymore Group, a Dublin-based international property development company. Since its foundation in 1982, Ballymore grew into one of Ireland's largest home builders. Ballymore also sought opportunities outside Ireland and is now established as one of the top developers in London. Mr. Mulryan you are very welcome before the committee this evening. I'd also give our apologies for the running a ... delay in schedule this afternoon and for any inconvenience that caused. I'd like to offer you the committee's sympathy in that regards.

Before hearing from the witness, I wish to advise the witness that by virtue of section 17(2) (l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If you are directed by the Chairman to cease giving evidence in relation to a particular matter and you continue to so do, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that only evidence connected with the subject matter of these proceedings is to be given. I would remind members and those present that there are currently criminal proceedings ongoing and further criminal proceedings are scheduled during the lifetime of the inquiry which overlap with the subject matter of the inquiry. Therefore, the utmost caution should be taken not to prejudice those proceedings. Members of the public are reminded that photography is prohibited in the committee room. To assist the smooth running of the inquiry, we will display certain documents on the screens here in the committee room. For those sitting in the Gallery, these documents will be displayed on the screens to your left and right and members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed.

The witness has been directed to attend this meeting of the Joint Committee of Inquiry into the Banking Crisis and you have been ... submitted a witness statement. This is before the committee and will be relied upon in questioning and form part of the evidence of the inquiry. So with that said, if I can now ask the clerk to administer the oath to Mr. Mulryan please.

The following witness was sworn in by the Clerk to the Committee:

Mr. Sean Mulryan, founder Ballymore Group.

Chairman: Thank you for coming before the committee this afternoon, Mr. Mulryan, and if I can invite you to make your opening remarks please.

Mr. Sean Mulryan: Thank you, Chairman, and members of the inquiry. I am happy to answer any questions or provide clarification on my written statement, already provided. Based on this statement, I would like to take up the opportunity to highlight a couple of points. I want to give you a brief background of myself and my company, Ballymore, and I want to give my view on the nature of the residential property development market in Ireland during the period 2001 to 2008 and subsequently, the collapse of the housing market in Ireland.

I founded Ballymore Properties over 30 years ago. I grew up in County Roscommon and began my working life as an AnCO trainee, becoming a bricklayer stonemason. I served my time in Galway and came to work in Dublin. I worked on some of the largest projects in the

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city and gained valuable experience in all aspects of design and construction. Aged 25, I saw an opportunity to build once-off residential homes in Leinster and established my business. My first ever house was in Ballymore Eustace and hence the name Ballymore Homes.

I began designing and building individual homes to individuals' specifications. The business took off and grew as the economy picked up in the late '80s. In the early '90s, Ballymore was one of the biggest developers of houses in Ireland. In 1991, we realised we needed to spread our risk and be less dependent on the Irish market and looked to expand into London. By the year 2006, our business model had become significantly concentrated on the London market. That year, when nearly 90,000 homes were built in Ireland, Ballymore accounted for less than one quarter of 1%, or roughly 225 new-build homes in Ireland that year. This shift in business continued, and today Ballymore is one of London's biggest privately-owned property development companies. The problem for Ballymore was the fact that approximately 90% of our borrowings was with Irish banks.

I would like to give you an outline of the business that we are in. In my experience, property development is a complex business and requires considerable skills and experience: skills in buying the right property in the right place at the right price, knowing what would work on a site, and then designing a scheme that is capable of meeting future market needs. Then there's the process of planning permission, a long-term process which would often prolong negotiations, reworking of plans and dealing with objections. After that, there is the marketing and sales process, followed by the construction, completions, after-sales service and, in the case of Ballymore, we also manage the majority of our own estates once completed.

Property development is a capital-intensive business. The business model that worked for us was based on a tried and tested approach that combined the developer working closely with a lender, a commercial bank. This model worked. It combined the skills and experience of the developer with the capital provider, provided by the lender. Developers in Ireland relied almost entirely on commercial banks for the business model to work. The banking collapse meant the business model collapsed too.

Let me take a quick look back at the events leading up to 2008. Back in early to mid-1980s, falling income and high interest rates pushed house prices down. This changed between 1987 and 1995. Rising income and job creation drove economic growth in Ireland and rising demand pushed prices up by 5% per annum. Virtually all price growth from 2001 to 2007 was driven by a relaxing of credit conditions. 555,000 units were built between 1996 and 2006. In the peak of the boom, Ireland's housing construction market grew from around 4 to 6% of GNP in the 1990s to a massive 15% of GNP at the peak of the boom in 2006 and 2007. As a direct consequence of cheap credit and a massive level of borrowings, large numbers of unskilled and inexperienced people in Ireland became property developers.

The rate of house building in the mid-2000s was just simply unsustainable. Ballymore, in line with its view of the market, was not very active in Irish land acquisitions at that time. Our research showed that by 2006, the Irish market was building over 30,000 houses per annum more than was required for housing needs. Construction accounted for 24% of GNP, or 30% of GDP. Over a quarter of all economic activities in 2006 was construction. Employment in construction went from 182,000 in 2002 to 281,000 in 2007. That represented 13.4% of total employment compared to the UK and EU average of 8.2%.

Despite the fact that most economists were optimistically predicting continuous growth, we knew the market was over-supplied. We had grave concerns for the outlooks of '07 and '08.

The Irish housing market was in real trouble and this was obvious even before the international banking collapse and the knock-on on the impact of the Irish lenders.

When the global banking crisis happened, the commercial banks were not able to participate in the business model. Once the business model collapsed, values collapsed and a consequence of that was the collapse of very many businesses, the loss of thousands and thousands of jobs and ultimately, the collapse of the market. The property development market is a long-play business. The long-term nature of the business means property developers require the foresight, the patience and, of course, the capital to be able to deal with the ups and downs and the recurring nature of the market. The international banking crisis meant that the traditional model based on bank finance for property development was no longer an option and property development companies internationally had to look for new ways of funding new projects.

Ballymore Properties was fortunate to have an established and well-run business with a long, strong asset base, especially in London. We were unfortunate to have had so much of our borrowings with the Irish banks. So while we knew we were in a good position to withstand the crisis, what Ballymore needed was time and a mechanism to get through the period between the collapse and the recovery. NAMA provided the means for Ballymore to do that. Ballymore entered the NAMA process with a very detailed plan. The tight business plan provided a base for the company to operate while new financial arrangements could be put in place. Ballymore has worked with NAMA, co-operated fully and has worked our way through what needed to be done. While it was a most painful and costly process for Ballymore, our strong asset base, especially in London, has allowed us sustain the core business, begin raising equity and finance from new international joint venture partners and to regroup, ensuring the future viability of the business and accelerate our exit from the NAMA system.

In conclusion, Chairman, I would like to summarise my points as follows: the collapse of the Irish banks, following the global financial crisis, had a devastating impact on Ballymore Properties. Despite the fact that 85% of our assets were outside Ireland, 90% of our borrowings were with Irish banks. As the Ballymore business model relied on capital from the commercial banks, the business couldn't operate, once capital dried up. As Ballymore had substantial assets in London, where the downturn was short-lived and property prices recovered quickly, Ballymore was well positioned to recover. The company needed the time to restructure its financial relationship and needed time for the market to recover. Ballymore entered the NAMA process with a strong and tight business plan. The business had been working its way through this and is looking forward to paying its debt related to the Irish banks' borrowing very, very soon and returning to a normal market model.

Thank you and I'll take some questions now.

Chairman: Thank you very much, Mr. Mulryan, for your opening statement and if we can now proceed on to questioners and, in doing so, can I invite Deputy Michael McGrath to open up this session. Deputy, you've 25 minutes.

Deputy Michael McGrath: Thank you very much, Chair. You're very welcome, Mr. Mulryan. Can I start by taking you to page 6 and 7 of your witness statement where you refer to a number of dates that Ballymore would have been involved in for high-profile sites, namely, the Irish Glass Bottle site and the Jurys and Burlington hotel sites? And you state that Ballymore was unsuccessful in each case and you were surprised to learn that your bids were as much as 35% off the pace. Can you elaborate on that? Is that a reflection of the over-valuation that was placed on those sites by, ultimately, the successful bidders in this case? And why would there

be such a difference on the valuation put on sites like that by different bidders in the process?

Mr. Sean Mulryan: Well, I suppose, we used to ... we were comparing Dublin land prices to London land prices at the same time because we're very active in London. So we had a direct comparison but we bid for many sites and we were a long way off. The one you mentioned, the Glass Bottle site ... well, we were invited to joint venture with the DDDA on the Glass Bottle site and they would have come to London and looked at our operation and would have liked what they saw and would have asked us to join ... would we be their partners in that particular site and we were very happy to do so. So we started the process of doing the due diligence and doing our appraisals on that particular one. And our deal with the docklands authorities was 25% that they were taking into equity and we'd be taking 75%. Now, on that particular site, we spent a lot of time on that but we couldn't get past €140 million so we talked to the team and the DDDA and we put our first appraisal through at that cost and the asking price was much higher, way, way higher, so we agreed to do another two weeks' due diligence and on that particular, we just pushed it a little bit more but we were a long way off what the asking price and the anticipation was. So six weeks before the ... the bids, we withdrew and to give them a chance to go and negotiate with other people.

Deputy Michael McGrath: Okay.

Mr. Sean Mulryan: And in many other sites but what was happening I think, to be honest about it, there were too many ... too much money chasing a small number of trophy sites.

Deputy Michael McGrath: Okay, and that was pushing up the price?

Mr. Sean Mulryan: Everybody wanted trophy sites and there was a lot of madness in the system and when I used to compare what you could buy in London, in London docklands to Dublin docklands, it was five times cheaper per site to buy in London at the same time and London was equally as strong a market. There was no VAT on housing there so it just ... when you start to make direct comparisons, you could see that-----

Deputy Michael McGrath: Okay.

Mr. Sean Mulryan: -----that land was overpriced by an enormous amount.

Deputy Michael McGrath: And what was driving that desire for trophy sites, as you put it, which may not have been commercially viable at all at the levels that were being paid? Is that something that you would have experienced in the UK, for example, to the same extent-----

Mr. Sean Mulryan: No-----

Deputy Michael McGrath: -----when you were bidding for sites-----

Mr. Sean Mulryan: No, you don't get that in the UK. It's a much bigger market-----

Deputy Michael McGrath: Okay-----

Mr. Sean Mulryan: -----and it's much easier to operate and you don't have the same kind of ... I don't know what the word is but it's just ... you just own land ... land, at the moment, is very high in London but at that particular time, it was much easier to operate and there weren't as many developers after ... after the land in London.

Deputy Michael McGrath: Okay, okay. Mr. Mulryan, can I take you to page 11 of your

witness statement - which is 013 on the system here - and it just gives an overview of Ballymore's borrowings at the end of September 2008 or an estimate thereof, because of the management accounts that you had at that time, and it shows total indebtedness of ... of just under €2.4 billion, of which Anglo Irish Bank accounted for 50%, pretty much. Can you explain the background as to how Ballymore became so dependent on one bank, Anglo Irish Bank, as the source of funding for the projects that you were involved in?

Mr. Sean Mulryan: Well, we had a long relationship with Anglo Irish going back ... going back 20 years. So it had been a very successful relationship and that ... that's probably how it developed. There was a serious trust there and they liked doing business with us and, in hindsight, we shouldn't have done that because we should have spread into international banks. But the Irish banks were ... we were working very well with them and long, long, successful period of time. We had no issues over that 20 years, so it was probably ... that's what did it really. We weren't getting any special treatment from them but just everything was working and we just kept the model moving along. So there was-----

Deputy Michael McGrath: And was their process of loan approval similar to the other banks in your experience or did you find it easier to get approval in principle if you had to make a quick decision on investing in a project? Were there any differentiating features between Anglo's approach and the other banks in Ireland that you would have dealt with?

Mr. Sean Mulryan: Well-----

Deputy Michael McGrath: Or was it just a relationship you built up?

Mr. Sean Mulryan: No, all the banks had a very, very strict method of the process and I think on my statements I showed you the process that we have always been going through-----

Deputy Michael McGrath: You did.

Mr. Sean Mulryan: -----with the banks and if anything, Anglo were very diligent. I could give an example of one particular loan which they ... it was difficult to get them to finance a major project in London and we agreed that to get it over the line, we would sell to 50% of the product at 20% deposits to underpin the project and we went through the usual due diligence. We signed the approval, subject to selling 50% of the properties at 20% deposits but they sent a director - a senior director - of the company to ... to Hong Kong and spent three days in the sales centre standing over the sales ... standing over the sales, watching sales and what we were discounting to get our target of 50% sales. So very, very ... at that particular time, serious due diligence. And serious hands-on, in the early days.

Deputy Michael McGrath: And typically, how long would it have taken to get approval in principle for funding for a project that you were looking to promote? Even verbal ... a verbal assurance that, yes, funding will be forthcoming? Are we talking days, weeks?

Mr. Sean Mulryan: No, no, no. Certainly not.

Deputy Michael McGrath: How long? Never?

Mr. Sean Mulryan: Two months, at least, I'd say would be the normal.

Deputy Michael McGrath: Before you'd have any indication from the bank?

Mr. Sean Mulryan: Ah no, you'd have an indication, you know, you go through a process.

Deputy Michael McGrath: Yes.

Mr. Sean Mulryan: First of all we would ourselves, before ... we have to assess, before we'd go to any bank, do we want this? Do we have to pay too much for it? So we go through our own process.

Deputy Michael McGrath: Yes.

Mr. Sean Mulryan: And if we think, yes, okay, we're going to ... we're going to try and acquire the site, then we'll go and talk to the banks and see are they interested. And then they'll either say yes or no and then you start the process.

Deputy Michael McGrath: Yes, well, what I'm asking is the yes or no part, after you make the approach to the bank; how quickly would you establish whether there was a strong likelihood that that bank was going to finance a project?

Mr. Sean Mulryan: Well, it certainly wouldn't be instantly or two or three days, that's for sure. So, I would say you ... probably we would get the answer of, yes, they're interested - two weeks - and then six weeks to get all the ... all the work done to get it to the stage to go to credit committee.

Deputy Michael McGrath: Okay. By my calculations, Mr. Mulryan, of the €2.4 billion, give or take, that Ballymore owed in September 2008, almost €2 billion of that was owed to banks that ended up in NAMA the following year. You close your witness statement by saying, "In the case of Ballymore and NAMA's effectiveness, history will show that NAMA was effective in ensuring that monies borrowed were repaid." So do you wish to reveal to the inquiry how much of that near €2 billion owed to NAMA will Ballymore have repaid?

Mr. Sean Mulryan: Ballymore will pay all of the debt back - 100% of it.

Deputy Michael McGrath: 100%?

Mr. Sean Mulryan: Uh-huh.

Deputy Michael McGrath: Okay. The issue of the fact that 90% of the moneys owed were owed to Irish banks - and you address that as a weakness as such, in ... or a mistake in terms of the model that you pursued - how is it that ... given that you were so successful in the London market in particular, and one would imagine the large UK banks would be knocking on your door and wanting to get involved in providing funding for these developments, how is it that you reverted in almost every case to the Irish banks, who ended up funding 90% of your developments, the vast majority of which were actually abroad?

Mr. Sean Mulryan: Well, that's the way the process started and it was more loyalty than anything else because when I went into London in 1991, London was very, very ... it was going through an extraordinary recession at the time. And, at that stage, you know, Anglo supporting me there from day one, where another bank ... none of the English banks, because I'd no track record there. So it was more loyalty than anything else, I would say, that we stayed with them. It was a mistake not to have spread it into the bigger international banks.

Deputy Michael McGrath: And did you have such opportunity to spread that business?

Mr. Sean Mulryan: I would have, yes, I would have. If we had really sat down and assessed it, we would have had the opportunity, in the later years, to have worked with some of

the bigger international banks.

Deputy Michael McGrath: Okay. Again, in September 2008 Ballymore owed Irish Nationwide €288 million. Can you just elaborate on how you would have built up such business with a building society which traditionally was there to help people on modest incomes to purchase a house? Can you elaborate on how you developed such strong business links with Nationwide?

Mr. Sean Mulryan: Well, it was '92 when we done our first joint venture with Nationwide - 700 houses in Lucan. And that model started from where Nationwide would be a partner. So, Nationwide would put up all the money, charge an interest rate of about 2.5% over the Libor and - which would be normal banking - and then, for taking ... putting up all of the capital, they would take 50% of the profits. And that model was extraordinarily successful for them and then we moved forward. So, we done the 700 houses in Lucan, then we moved to London. They done, continuously, projects ... on the same basis, the same model, and right through into the 2000s. We done many, many projects on that model and from Nationwide's point of view, it was hugely successful. They not alone got their interest rate, they made a lot of profit, and, even, right up to right now, with the ... the loans being transferred to, to NAMA, there isn't one Nationwide joint venture that hasn't made a profit on the par debt, over the par debt, in that 20, 21, 22.

Deputy Michael McGrath: Okay. So, when, when we hear from NAMA, as we have heard in this committee, and other committees of the House have heard from NAMA, about poor loan documentation - not specific now to Nationwide, but generally, in the, the loans they came across from the participating institutions - poor loan documentation, cross-collateralisation, security not being properly pinned down legally, you, you present a different picture of your experience with the banks in Ireland, that the process you submitted appears to have been quite, quite thorough and comprehensive.

Mr. Sean Mulryan: Well, that's the way we saw it and that's the way it was, because we had the model, and we applied that same model to every loan from the '90s to the 2000s and forward. So, the model was in place and all them boxes were ticked for every, every loan.

Deputy Michael McGrath: Okay, on the issue of the amount of equity in, in projects, you, you address that issue on, on page 16 of your witness statement, and you say, "Ballymore ... utilised a range of funding structures, from 100% equity funded, to 100% debt funded (when available) to a loan to value range of anywhere from 60% to 90%, with 80% being typically available during the period." Were 100% debt-funded projects always a feature of, of the banking system, in your experience of dealing with them over the last couple of decades?

Mr. Sean Mulryan: Well, of course Nationwide ... all of our dealings with Nationwide was 100% debt-funded because it was a joint venture.

Deputy Michael McGrath: And they took 50% of-----

Mr. Sean Mulryan: And they ... of the profits.

Deputy Michael McGrath: -----the profits.

Mr. Sean Mulryan: That's the 100%.

Deputy Michael McGrath: And was that the first of its kind in the Irish banking system

that you're aware of?

Mr. Sean Mulryan: It probably was, in '92, I would say.

Deputy Michael McGrath: '92.

Mr. Sean Mulryan: Yes. I'd say it was.

Deputy Michael McGrath: And did they persist with that model in-----?

Mr. Sean Mulryan: That was the model ... that was the model with Ballymore right ... right up to the crisis and ... but then they started to do that model with many other parts of their ... of their business and developers in the UK and London after that period.

Deputy Michael McGrath: Okay. And, for the other banks you say that 80% would have been typically available during the period, 80% debt finance for a project. Was that the Ballymore experience?

Mr. Sean Mulryan: It varied ... it varied, 70%, 80%, yes.

Deputy Michael McGrath: 70%, 80%. And where equity would have been put in by Ballymore, would that have been in the form of cash or would it have been unrealised equity gains from other developments, for example? This was a point that NAMA made, again, to the inquiry.

Mr. Sean Mulryan: Well, it varied depending on, on the size of the development, you know, it varied. On a lot of developments we put in cash, and when we didn't, when the cash wasn't available and there was equity, we done some cross-guarantees from other developments. For instance, we would normally put in, as late as 2007, one of the banks ... one of the big loans was about €185 million, in Battersea, and we put in €65 million cash in 2007, and then the bank put in the remainder, which was approximately €120 million, €125 million. So that ... so that was ... that's what we did on that particular one as late as 2007.

Deputy Michael McGrath: Okay. Were personal guarantees a feature of your borrowings?

Mr. Sean Mulryan: They were up to 1990 and then I had no personal guarantees from 1990 forward. But, then when the crisis ... when we, we had the crisis in, in 2008, I signed a personal guarantee, just, late 2008, just to, to get the working capital for the business and to keep the business going. So, I went back into personal guarantees after 15 years.

Deputy Michael McGrath: Okay, and prior to that it had been 1990 was the-----

Mr. Sean Mulryan: Yes.

Deputy Michael McGrath: -----the last one that you did? And in the intervening 18 years or so, is it that the banks weren't requesting personal guarantees from you, or that you were resisting attempts by the banks to secure personal guarantees?

Mr. Sean Mulryan: I think we had an understanding that we had a long track record. We'd a lot of equity in our business. We weren't taking money out of the business. We were reinvesting continuously. All our profits were going back in, and so they were happy with the situation at the time.

Deputy Michael McGrath: Okay. You say in your statement that interest roll-up facilities were frequently offered by the financial institutions between, say, 2001 and 2008, and that Ballymore would always have requested interest roll-up facilities over the term of the loan. So can you explain that feature of a loan arrangement? And where would it be most suitable that during the, let's say, the development phase, the construction phase, before a rent roll income starts coming in, or before you get any sale proceeds from selling completed units, can you explain how that would work in practice?

Mr. Sean Mulryan: Well, it's the only way the model works if ... and you put in your equity, it's not like investment property, whereas the income will pay the interest. There is no income until you start completing your products, completing your apartments into your income, and that's when the interest roll-up starts to ... you start to pay your interest, at the end of the project. And that's a model that's done worldwide in property development, and even today, across the world and in Asia, it's the exact same model.

Deputy Michael McGrath: Sure. The evidence that we have heard, as an inquiry, is that that interest income, while not being actually received while it's being rolled up, was being recorded as income by the banks and the loans were deemed to be fully performing because they were acting in accordance with the loan agreement because no repayments were due. And, of course, when the crash came then, the full extent of the picture subsequently emerged, and that's why, I think, there is some focus on the issue of interest roll-ups as a feature of these loan agreements. But you're saying they were common practice-----

Mr. Sean Mulryan: Oh, absolutely.

Deputy Michael McGrath: -----and that the model wouldn't-----

Mr. Sean Mulryan: And even today.

Deputy Michael McGrath: Okay. How many companies were there in the Ballymore Group? Because you indicate that ... if I'm reading your statement correctly, that there was a separate corporate entity for every project.

Mr. Sean Mulryan: For each development, yes.

Deputy Michael McGrath: For each development. So at any point in time, how many companies would you have had-----

Mr. Sean Mulryan: I can't give you that answer, but I'm sure it was over 20.

Deputy Michael McGrath: Over 20.

Mr. Sean Mulryan: It was a lot ... it was a big number. I just don't have that.

Deputy Michael McGrath: And they would all have had the same parent company? They would all be sitting within the Ballymore Group?

Mr. Sean Mulryan: Yes.

Deputy Michael McGrath: Can I take you to the issue of political donations, Mr. Mulryan, which is dealt with on page 18 of your statement? And it's 020 on the system. So it shows donations to public reps, or parties, from the 2001 to 2008 and, by my calculations, the amounts add up to about €128,000 over eight years. And there's a breakdown by party, and it show Fi-

anna Fáil receiving 55.5% of donations. Can you explain why Fianna Fáil received so many donations? Was it because of any leaning you might have had yourself politically, because the party was in power, or to strengthen the Oireachtas? Can you just-----

Mr. Sean Mulryan: No. I-----

Deputy Michael McGrath: -----rationalise that?

Mr. Sean Mulryan: It's ... I would say they're the biggest party, probably, and probably they had a bigger campaign on fund-raising. I would imagine that it has ended up 55-19, but there would be no particular reason that we would be concentrating on that, because it's over seven or eight years, and different outings and different functions. So, it's cross-party and it's all documented.

Deputy Michael McGrath: Sure. And your group also supported Fine Gael, PDs, Labour, but to a much lesser extent, and-----

Mr. Sean Mulryan: You wouldn't get the same requests from the other parties as much as Fianna Fáil at that time, I would imagine.

Deputy Michael McGrath: Sure.

Mr. Sean Mulryan: They were more active in fund-raising, in a sense.

Deputy Michael McGrath: And why would you support political parties, or public representatives?

Mr. Sean Mulryan: Well, it's part of society. I mean, we support charities. We give ten times more to charities than we'd give to the political system, maybe 20 times, and sporting events, and we treat the political system exactly the same.

Deputy Michael McGrath: And did you ever feel that you gained influence for your business by supporting politicians or parties financially in this way?

Mr. Sean Mulryan: I'd nearly say the opposite, to be quite honest.

Deputy Michael McGrath: Why would you say that?

Mr. Sean Mulryan: I don't think it does ... I don't think a politician ... when you're selling homes and your business is ... is working and selling homes and working a business, I think sometimes it can be more negative than positive to be associated, because of the media and because of perception. So, I think it's negative.

Deputy Michael McGrath: Okay. Can I ask, Mr. Mulryan, in the pre-crisis period, did you or others in Ballymore believe at any time that a property bubble was in the making? Did you at any point see what was coming and start pulling back from investing in the Irish housing market, for example?

Mr. Sean Mulryan: We were very negative in Ireland for a long period of ... from 2002 to 2007 because we felt that land prices were getting very expensive. We knew in the UK that there's 60 million people and they had ... equally the population in the UK was growing at the same rate per head of capita as the Irish and whereas the UK was 250,000 houses a year and they were getting about 180 ... Ireland with 4.5 million people, producing 90,000 houses a year, you didn't need to have too much ... you didn't need really to get into a lot of details to know

there was something wrong. So, we started to do our own research and we did it every year, more hands on. We all ... how we knew that there was 30,000 houses being built in 2006 that wasn't necessary, just from our own research. So, we were ... we saw oversupply very early and that's why we didn't really engage seriously. 80% of our business at that time, in our land acquisition, was London. We done a certain amount in Ireland over that period just to keep our team going. We had a very good team for 20 years and we always wanted to have a certain activity in Ireland to keep our people employed, so we bought some land, but not a lot, to keep it ticking over. But we were negative very early on-----

Deputy Michael McGrath: Okay.

Mr. Sean Mulryan: -----on the market.

Deputy Michael McGrath: And did you believe there would be a soft landing; that the property reductions would be 10%-20%, as opposed to 50%-60%?

Mr. Sean Mulryan: Yes, I thought 20%-25%. I thought that was max.

Deputy Michael McGrath: Okay.

Mr. Sean Mulryan: But I expected 20%-25%.

Deputy Michael McGrath: Okay.

Mr. Sean Mulryan: And I felt that the system could take that, but I never anticipated the banking collapse and I never anticipated a 60% ... I've never seen it anywhere before; I don't think this has ever happened in a modern economy.

Deputy Michael McGrath: Okay. On the issue of the valuation process that banks would have undertaken, this is an issue the Central Bank looked at after the crisis and they said credit institutions were often negligent and imprudent in the manner in which they requested property valuations, so my question is, did you observe any difference in the rigour applied to valuations sought by Irish banks as opposed to non-Irish banks, and I know you dealt principally with Irish banks?

Mr. Sean Mulryan: Sorry, the valuations?

Deputy Michael McGrath: The valuation process by ... by banks, yes.

Mr. Sean Mulryan: Well, the valuation-----

Deputy Michael McGrath: The valuation, valuing security and-----

Mr. Sean Mulryan: -----were done by ... no, the Red Book valuations-----

Deputy Michael McGrath: Yes.

Mr. Sean Mulryan: -----were done by all the top surveyors and agents, all the bigger names, so that was the same for every bank, international banks. You have six or seven of the biggest estate agents who do all the valuations and surveyors.

Deputy Michael McGrath: Okay. Finally, Mr. Mulryan, overall now, when you reflect on what happened, do you believe that Ballymore Properties was a victim of the banking crisis or a contributor to the banking crisis?

NEXUS PHASE

Mr. Sean Mulryan: Well, I think we were a victim because we didn't anticipate it. We had most of our assets in London and ... so I would say a victim.

Deputy Michael McGrath: Thank you. Thank you, Chair.

Chairman: Thank you very much. Senator Susan O'Keefe.

Senator Susan O'Keefe: Thanks, Chair. Mr. Mulryan, if I can just go back a moment to the joint venture arrangement you had with INBS, was that vehicle called Clearstorm-----

Mr. Sean Mulryan: Well-----

Senator Susan O'Keefe: -----or were there several vehicles?

Mr. Sean Mulryan: -----there was several vehicles, yes.

Senator Susan O'Keefe: Okay. And would-----

Mr. Sean Mulryan: I think every ... almost every one was a different vehicle.

Senator Susan O'Keefe: Okay.

Mr. Sean Mulryan: Yes.

Senator Susan O'Keefe: What ... how does it change the relationship between someone like you and a financial institution if, instead of their lending to you for your project over there, they're actually right ... part of the project and have a share in the profit? How does that change the relationship, do you think, if, indeed, it does?

Mr. Sean Mulryan: I don't think it changes at all. I mean, it's the same process. I don't think it changes it a lot.

Senator Susan O'Keefe: How ... when that relationship started, had that been your experience up until then that financial institutions were in a position to be in joint ventures, if you like, or were they very much more the other model of, "Here's the money and come back when you can pay it back."?

Mr. Sean Mulryan: No. That model was huge in the UK for 30, 40 years and in New York and in all the big places. Around the world, that model has been the way major projects has been ... has been funded on that basis ... is the 50-50 split of the profits and the institutions putting up all the finance.

Senator Susan O'Keefe: Could it be argued that the financial institutions become speculators of a kind, do you think?

Mr. Sean Mulryan: Well, they're taking risk, of course.

Senator Susan O'Keefe: Is that what financial institutions ... is that what we understand them to do, to take risks?

Mr. Sean Mulryan: Well ... I can't ... I mean, their business model is their business and they take risks. No matter who you lend to, I'm sure there's a certain element of risk. So for ... I mean, they're taking more risk for a bigger reward. I think that's their ... that's what those people do. And it's still ... it wasn't first ... Ireland wasn't the first to have done ... or Nationwide ... I mean, that's been in ... that's the ... for a huge number of the private developers in London,

that's the way they've been funded for 35 years.

Senator Susan O'Keeffe: If you look at what we're doing here ... is discussing the banking crisis and the financial crisis and it wasn't just here it was in other countries, do you think its at all the case that those banking institutions, financial institutions, that came into that risk arena have contributed, along with yourselves, to the banking crisis that we found ourselves in?

Mr. Sean Mulryan: Well, it depends. There were ... you know, it depends on who they lend the money to. I mean-----

Senator Susan O'Keeffe: Quite.

Mr. Sean Mulryan: I mean, Nationwide's experience with Ballymore is there was never a loss on any project in 22 years. Okay, so they made money consistently but that didn't happen on a lot of other situations with Nationwide. And I ... I can't speak for that but, you know, its all about who you put your ... you back, right. If you back people in the business that cares about it and has a lot of experience and really, really knows what their doing - like, there were many, many really good developers in Ireland - and then if you start doing the same with people who do not know their business, who aren't developers - but perceived to be, with no experience - and you apply the same model, you're going to have a problem. And that's what happened.

Senator Susan O'Keeffe: And that's what happened?

Mr. Sean Mulryan: Yes.

Senator Susan O'Keeffe: In the ... you listed there 11 banks with whom you did business - or 11 financial institutions - of which INBS was one. Would you have had similar joint ventures with all or some of the others-----

Mr. Sean Mulryan: No.

Senator Susan O'Keeffe: -----or was it just them?

Mr. Sean Mulryan: Just Nationwide.

Senator Susan O'Keeffe: And why then, given what you said, that these, if you like, joint ventures were available in lots of other countries the UK and the US, you've said, why then why the other institutions not engaging in this? Why was it just INBS, do you recall?

Mr. Sean Mulryan: That was their model and I just don't know.

Senator Susan O'Keeffe: Okay. Did you ever ask any other financial institution to engage in that kind of-----

Mr. Sean Mulryan: I did actually. A site in Prague, in Wenceslas Square, that we acquired about ten years ago, Anglo, for the first time, done a similar model to the Nationwide model and the only one ever was done on that particular ... on that particular site. And they put up all the money and they took one third of the profits, but that was the only one I've ever done with Anglo and that. So they were ... at that stage, that was a first.

Senator Susan O'Keeffe: Is it fair to say that you also did ... you had other arrangements with other property developers, as and when it was required, if you were interested in a particular development, you might ... you might get into a deal with some other developer? Is that fair enough?

NEXUS PHASE

Mr. Sean Mulryan: Yes. Sometimes but not at all the time.

Senator Susan O’Keeffe: No, no. Not all the time-----

Mr. Sean Mulryan: Very, very, very ... very ... probably 10% of the business, yes.

Senator Susan O’Keeffe: Okay. And what would the purpose of that had been, when you did that?

Mr. Sean Mulryan: Well it is ... it is like ... it’s a joint venture and the purpose would be, I suppose, sharing the risk.

Senator Susan O’Keeffe: Okay. Did you have an Isle of Man business part to your whole business structure and, if so, why would you have had that?

Mr. Sean Mulryan: Well, an Isle of Man business, I suppose, you know, we have financial directors and we have our accountancy firms who advise us on how to do all of that and, I suppose, it is part of the business and we would have some Isle of Man companies.

Senator Susan O’Keeffe: Is it tax efficient?

Mr. Sean Mulryan: Absolutely, yes. That’s ... that would be the reason.

Senator Susan O’Keeffe: Okay.

Mr. Sean Mulryan: That would be the purpose but whether it worked out or not is a different story.

Senator Susan O’Keeffe: On page 19 of your own statement, you talk about lobbying and you discuss that you always sought to communicate or engage with the public, elected representatives and so on. You say:

This consultation process was an open and transparent activity where each interest group lobbied for its own point of view. In many cases, Ballymore’s point of view was taken on board.

So are ... can you recall, Mr. Mulryan, a particular instance of where your lobbying for something might have paid off?

Mr. Sean Mulryan: Well, we always ... when we’re doing major projects, we always make presentations to all the appropriate bodies from ... in the boroughs or in the local authority areas that we are ... so we present our ... our vision for the area and ... I don’t know whether you call it lobbying but we ... and we engaged with the local ... the local residents as well, always do that. So that’s part of our process always.

Senator Susan O’Keeffe: And you’re not able to recall a particular instance, for example, where you ... because you say that in many cases your point of view was taken on board. You can’t give ... are you able to give us an instance of where that might have been successful?

Mr. Sean Mulryan: I’d say mostly in London ... in ... in ... mostly in London whereas you’d have areas that hadn’t been developed and I’d say London ... London more so than Ireland, I would say.

Senator Susan O’Keeffe: Deputy McGrath did raise with you the matter of relationships

with banks and so on and you talked a bit about roll-up interest and so on. Were there other incentives that banks offered as time went by? Did you notice lower interest rate margins, interest holiday periods, or not?

Mr. Sean Mulryan: No.

Senator Susan O’Keeffe: No.

Mr. Sean Mulryan: No, no. I never saw it ... there was never really a major difference in the interest between any of the banks, that I would have seen anyway. It varied ... okay, on charges, the interest rate you can negotiate, but some of them with upfront charges, yes, can be high. You negotiate ... it’s a matter of negotiation.

Senator Susan O’Keeffe: And you would, of course, have negotiated.

Mr. Sean Mulryan: No, I wouldn’t be negotiating. I would have a managing director-----

Senator Susan O’Keeffe: No, but, I beg your pardon-----

Mr. Sean Mulryan: -----that would negotiate.

Senator Susan O’Keeffe: -----I meant your company, yes. When Mr. Quinlan was here before us, on page 51 of his evidence, he talked about how he discovered that, in fact, it was the German banks who were making the loans to him. He said he hadn’t realised that the Irish banks were, in fact, selling the loans. So he discovered that ... he said:

[W]e were paying the Irish bank 1.5% but her bank were only charging 0.5%. So the Irish bank were pocketing the 1% ... and our clients were losing out ...

And he said he then switched. So was that something that you were aware of at all, because you talked about how you kept most of your business in the Irish banks and perhaps it might have been wiser to have spread your business around?

Mr. Sean Mulryan: Well, in hindsight, absolutely, yes.

Senator Susan O’Keeffe: Yes. So were you aware of this selling of loans?

Mr. Sean Mulryan: No.

Senator Susan O’Keeffe: No. Okay. And why ... so I think you said it was ... was it just that it became the way you did business, that you kept your business here and your ... your banking business here-----

Mr. Sean Mulryan: Absolutely.

Senator Susan O’Keeffe: -----that you didn’t ... that you didn’t seek to go outside? Okay. When Mr. ... bear with me, when Mr. McCreevy was here, the former Minister for Finance, he said:

I personally am not close to any of the builders. I know lots of builders [I] know lots of tradesmen ... I know lots of accountants, I know lots of punters, I know lots of other kinds of people. I know lots of politicians, or I used to in any event.

How would you describe your relationship, if any, with Mr. McCreevy?

Mr. Sean Mulryan: Well, I started developing in his constituency over 30 years ago. And I would know him through sporting, horse racing and Gaelic football, all through that period of time so, of course, I know him very well.

Senator Susan O’Keeffe: And would he have been someone you might have invited to your home or to various events that you were hosting?

Mr. Sean Mulryan: Absolutely, yes.

Senator Susan O’Keeffe: Absolutely. In relation to Mr. Ahern, of course, the former Taoiseach, he said he ... “I don’t believe that I, personally, had much interaction with property developers”. Again, I’m wondering what your relationship with Mr. Ahern might, might ... might be or have been.

Mr. Sean Mulryan: I would have met him on occasions but it’d be not very often. I would say ... I couldn’t say. Maybe once every two years. So it wasn’t ... it certainly ... it wasn’t anything like, we’ll say, Mr. McCreevy, which I knew years and years and he was in my constituency.

Senator Susan O’Keeffe: Would you have been able, Mr. Mulryan, to ring them up if you wanted to ask them something? Because, you know, some people don’t know politicians on that level and some people do.

Mr. Sean Mulryan: Never. No. Absolutely not.

Senator Susan O’Keeffe: No. Never?

Mr. Sean Mulryan: Never.

Senator Susan O’Keeffe: Okay. I know that, obviously, what your business now, we’re not really discussing but I ... but you have recently been in China with Mr. Ahern, isn’t that right? Well, relatively recently, I’m sorry. In the last number of years.

Mr. Sean Mulryan: That’s about four years ago when they were on a commission, a trade commission in Anhui in China and, at the same time, I was in China. It was the time of NAMA and I was trying to raise funds to exit NAMA at that period. So I got a meeting with the chairman of CIC of China and his team to put a proposal to raise our funds to exit NAMA very early. And at that time as well we had been approached the Chinese in London. And the ambassador ... they were doing a new city in Anhui, and they were seeing what was being done in Europe - and they would like us to do the master planning, and help them with a European designed city. So I met Mr. Ahern there and he joined me at that promotion but we didn’t go ahead with that because we had to commit to our four years with NAMA or five years with NAMA so we agreed with NAMA to withdraw from the Chinese venture and concentrate on London and working our debt through and take on no new projects. But I was disappointed with the ... it was a huge opportunity in Anhui in China but we decided to withdraw from that and----

Senator Susan O’Keeffe: Did you know, or have any relationship with, Mr. Brian Cowen, again the former Taoiseach and former Minister for Finance?

Mr. Sean Mulryan: Yes, I know I ... once again, exactly the same as Charlie McCreevy. I know Brian before he ever was a Minister through racing and football, very well. So he was a friend of mine and always has been.

Senator Susan O’Keeffe: And so again, obviously, you’d invite him to various events?

Mr. Sean Mulryan: Absolutely, yes.

Senator Susan O’Keeffe: So, obviously, the reason I’m asking, Mr. Mulryan, is that a lot has been written about developers and politicians and their relationship and, you know, many people in the country don’t have a relationship with politicians at all and they wonder how it happens that developers become close and, of course, I think it’s fair to say you were also in the Galway tent. Is that right?

Mr. Sean Mulryan: Absolutely, yes.

Senator Susan O’Keeffe: Yes. So would you have had a similar relationship with politicians across all the parties or was it just these politicians that we’ve spoken of?

Mr. Sean Mulryan: No, I suppose I would know politicians cross-party, yes.

Senator Susan O’Keeffe: Would you invite as many of them to your ... in the same way as the three that we’ve discussed?

Mr. Sean Mulryan: Not really. These ... I know, we’ll say, Charlie McCreevy and Brian Cowen going back, say, over 20 years. So it’s a different relationship.

Senator Susan O’Keeffe: Do you believe that that allowed you any advantage, that relationship that you had with them, or not?

Mr. Sean Mulryan: I don’t think so. Most of my business was always outside of Ireland. And our business in Ireland was just building homes. So I don’t see why political ... I could be helped in my business.

Senator Susan O’Keeffe: Did you ever calculate, Mr. Mulryan, how much the various tax breaks and incentives ... did you ever make a calculation as to how much they might have benefited you, or did they benefit you?

Mr. Sean Mulryan: On tax incentives?

Senator Susan O’Keeffe: Urban renewal schemes and-----

Mr. Sean Mulryan: We never done any in Ireland.

Senator Susan O’Keeffe: Nothing at all?

Mr. Sean Mulryan: Well, I’m 99% certain. Just in case we did one.

Senator Susan O’Keeffe: Well, that’s, I mean-----

Mr. Sean Mulryan: If it was it was very ... if it was it was tiny, but never. I never really went into that. I wasn’t interested in it. Not really interested in that. It’s a false market when you start doing that.

Senator Susan O’Keeffe: Okay. Just to be clear again, in relation to the donations that you gave to various political parties - and thank you for listing them in your response - they were ... just to make sure, they were contributions made by your business, by Ballymore, is that correct?

Mr. Sean Mulryan: Of course.

Senator Susan O’Keeffe: Is that correct? Would you ... did you ever, as Mr. Mulryan, make donations yourself personally?

Mr. Sean Mulryan: I don’t think so, but I can’t be 100% certain. But if it was, it would be insignificant.

Senator Susan O’Keeffe: Okay. When you were dealing with Irish banks, again, in that, you know, the sort of ... I suppose, now 1999 say up to 2005 and so on, did you get any impression from them that they were in the pursuit of market share, or did you find that they behaved as they had always done, or was there any change apparent in the way they behaved, either with you or perhaps with other developers or builders or builders or property people that you might have known? Was it a subject of discussion among you?

Mr. Sean Mulryan: There is no doubt towards the end of the ... towards 2005 and around that period, the banks were seriously competing again ... and-----

Senator Susan O’Keeffe: How was that clear Mr. Mulryan? How did you know that?

Mr. Sean Mulryan: I knew it by ... all you had to do was drive around Ireland and drive around Dublin and see the amount of activity and the amount houses being built and ... it’s my business to know. So, definitely, that period was ... the banks were lending an awful lot of money.

Senator Susan O’Keeffe: Can you recall at any point when you said in your head “It’s gone to another stage”? Was there a moment, it may not have been a defining moment but-----

Mr. Sean Mulryan: I would really ... I suppose when, and I’m not going to mention any names because some of these guys are friends of mine-----

Senator Susan O’Keeffe: Of course.

Mr. Sean Mulryan: -----and associates, when they became property developers and they were never property, they were only ... they were in different businesses and they were in the Civil Service, and they became property developers, and I knew them well and they used to come to me for advice, and they didn’t ... I gave them advice but when they come back to me, “I changed my mind, I bought that site” and 100% finance available, okay. So, that was 2004 or 2005 and that was on a pretty large scale. Anybody could get money to buy a site and hope you got planning and sell it, or go building houses, or buy 20 apartments and hope it all worked out and get 100% finance. So that was the defining moment.

Senator Susan O’Keeffe: So, to put it in the vernacular, it sort of became a free for all, where everybody thought they might make money too.

Mr. Sean Mulryan: Absolutely

Senator Susan O’Keeffe: And then ... and so ... at that point did that change your view of what you were doing in Ireland?

Mr. Sean Mulryan: No, I was always a little bit worried it was overheating ... it was very, it was ... we were overproducing homes and any time that you’re building and overproducing, oversupplying the market to the extent we were, you were going to end up with an extraordinary problem down the road.

Senator Susan O’Keeffe: Did you ever share those thoughts about the overheating market ... if you like, the people now getting into property that perhaps shouldn’t, did you ever share that indeed with any of your colleagues, friends or, indeed, with any of the politicians that we’ve discussed?

Mr. Sean Mulryan: We shared it and done our surveys and one of my guys ... we used to send in our feelings in to the Department.

Senator Susan O’Keeffe: Right, and did you ever get a response to that?

Mr. Sean Mulryan: Well, I didn’t send it in, it was one of my guys ... I don’t know. I don’t know did we get a response but we certainly made our views known that we felt there was huge oversupply and there was danger in the horizon.

Senator Susan O’Keeffe: You were as described as the kind of person who likes to go through the snag list and, again, I’m quoting so it may be ... is that a reasonable thing to say?

Mr. Sean Mulryan: Pardon?

Senator Susan O’Keeffe: You were described as the kind of person who himself likes to go through the snag list.

Mr. Sean Mulryan: Well, no, I supervise everything.

Senator Susan O’Keeffe: No. But I think that point that this article was making was that you’re a careful man, I think was the point they were making. That you like to pay attention to detail. The reason I was asking was I just wondered how if in the end, if that were the case, how did it come to pass that you ended with so much debt? If, or was it that-----

Mr. Sean Mulryan: Well, I would say on my product and on business, that is the case. On the product ... delivering good product, making sure it’s a very high standard and design, marketing ... everything to do with the product, absolutely hands-on. How did it get to ... probably on the financial side, you’d have to say, we would do it differently the next time.

Senator Susan O’Keeffe: And if you were to define the key difference, because I’m sure that, I mean, might take quite a long time, but is there a key difference that you would do differently the next time?

Mr. Sean Mulryan: I don’t believe that the ... that in development that 70-30 ... equity to debt is the way to go, you know, I think it’s much less. So, a different way of funding going forward, with less debt and more equity and take on equity partners, and share in the upside.

Senator Susan O’Keeffe: What was Peter Bacon’s role in Ballymore?

Mr. Sean Mulryan: Well, from ‘91 or from 2001, Peter used to do the ... different areas where we wanted to do business, like London and Europe, he would do all the economic studies for me and the demographics and the supply and the demand, government policies, before we’d decide to invest, and he done that for years. And in 2005, whereas we were very active in London, I needed to strengthen my team so I done a three-year contract with him to go to London, operate as executive chairman to strengthen up my team and hire some new people. And the contract finished in 2007.

Senator Susan O’Keeffe: Deputy McGrath asked you whether you thought that you were

a victim of what had happened and you said you thought that you were. Do you understand why people, members of the public, might not share that view and might say otherwise, might say that you contributed, along with others, to the state that we find ourselves in and that ... and that ... if you like, you are I trust still doing business, you've said that you're going to be repaying your debt to NAMA and so on and that you know, you have paid ... you have paid no price?

Mr. Sean Mulryan: I have paid a huge price, but I ... I've paid a huge price but ... a contribution ... but I'm getting all my debt back and that's ... to me, is the most important thing of all, and all our creditors. But we paid a huge price.

Senator Susan O'Keeffe: But do you believe you made any contribution to the crisis that we have come through?

Mr. Sean Mulryan: Well, if I didn't pay my debt back I'd say I did, but I don't think so.

Senator Susan O'Keeffe: But the paying back of the debt takes a period of time, where, you know ... beyond, whereas the broader members of the public found themselves out of work, you know, and all the other dilemmas that we've seen, people emigrating and so on. For them that was an immediate outcome and they would say, well for you, that wasn't the case - you didn't ... you didn't lose your job, lose your home, lose your-----

Mr. Sean Mulryan: Well, that's not ... not true. I mean, all my executives took a 25% and 30% reduction in their wages, rolled up their sleeves for seven years and sacrificed everything in time and to get through this and get our mountain of debt taken down and paid back which was huge, €2.2 billion. So that's what we did, so everybody ... we all sacrificed our lives and we spent ... no social lives, no holidays, we just worked around the clock for the last seven years.

Senator Susan O'Keeffe: Finally, if I just might ask you one question that ... it was actually mentioned in one of the books, *Breakfast with Anglo*, which you may or may not have seen, and in it he just mentions - Simon Kelly - he just talks about, I suspect you didn't do this because you've said ... that ... people ... some people separated-----

Chairman: Have you seen this, Mr. Mulryan, have you?

Senator Susan O'Keeffe: I'm sorry.

Chairman: Just we need to allow flexibility for that.

Mr. Sean Mulryan: I haven't seen it, no.

Senator Susan O'Keeffe: Sorry, and if you don't know it's fine-----

Chairman: In that regard, Mr. Mulryan, just to advise you, if you are unfamiliar with it and you don't feel comfortable answering because it's unrepresented material you can refrain from replying.

Senator Susan O'Keeffe: Absolutely, it's a practice rather than a ... it's the idea of separating the property asset from the tax allowance and selling it on. But I suspect that, because of what you said before, you didn't do that much business in that area?

Mr. Sean Mulryan: No.

Senator Susan O'Keeffe: No, so thank you. That's fine. Thank you.

Chairman: Can I deal with a couple of matters with you there, Mr. Mulryan, before we move on to the other questioners, with your permission? Mr. Mulryan, from your perspective, do you regard the valuation methodology applied in the pre-crisis period as having been sufficiently robust and representative? And maybe you could give us your views as to whether there were deficiencies or not in the process at that time.

Mr. Sean Mulryan: Sorry, deficiencies in ...?

Chairman: In the lending process, or not, at that time?

Mr. Sean Mulryan: Well I can ... I can only speak for ourselves.

Chairman: In your own experience, yes.

Mr. Sean Mulryan: From our point of view ... I already said, you know, I think that the 70-30 is high risk.

Chairman: Okay.

Mr. Sean Mulryan: That's where I'd see deficiencies, yes.

Chairman: What do you mean by 70-30?

Mr. Sean Mulryan: Well, the 70% debt to 30% equity in development.

Chairman: Okay. And there has been some suggestions that, in some instances, there was potential for no equity whatsoever. So let's say a person creates one development, with the level of property inflation that was taking place at the time, the initial loan on that would be well exceeded by the new valuation on it, creating a position of equity in which another loan could then be drawn upon the basis of that equity, and that would become a very compounded situation, whereby several developments in different stages of completion, operation, construction, so forth, could be in place without there actually having ever been, in 70-30 terms, any down-payment of cash, but the percentages was met through equity. Would you be familiar with a lending practice like that?

Mr. Sean Mulryan: I'm sure it went on. We ring-fenced everybody, everything individually, so we knew exactly, you know, we were ... we could monitor it from development to development. I don't fully understand-----

Chairman: Okay. Would there have been ... would you have been familiar with loans that would have been issued on the basis that was no material cash deposit?

Mr. Sean Mulryan: Oh absolutely, yes.

Chairman: Other than equity.

Mr. Sean Mulryan: Yes, the equity from another site. Yes, in certain cases, yes.

Chairman: And would there have been instances where that equity could have been used as cross-securitisation-----

Mr. Sean Mulryan: Yes.

Chairman: -----and that would have been to different financial institutions.

Mr. Sean Mulryan: No, not with different financial institutions.

Chairman: Okay, so development X, equity would be used for one loan or a number of loans with one institution, but they wouldn't be with a number of institutions.

Mr. Sean Mulryan: Yes.

Chairman: Thank you. Do you have a view on whether the valuation process in the pre-crisis period influenced lending practices in the Irish banks?

Mr. Sean Mulryan: The valuation ... the Red Book valuations?

Chairman: Yes, yes.

Mr. Sean Mulryan: Well, it's not a ... it's the only way that the system worldwide, this valuation, but it's not exactly a science that ... it can vary dramatically, the valuation system.

Chairman: In your construction field, Mr. Mulryan, did you develop retail or commercial units?

Mr. Sean Mulryan: Our business would be 75% residential, and then ... maybe 80% residential, and we did some retail.

Chairman: Okay. And on the basis of, let's say, retail lending, that you'd go to a financial institution for ... to acquire funding to get one going, was the issue of upward-only rent reviews and how that would actually impact with regard to how the lending model would be dealt with? So you're going to build a shopping centre, it'll have 20 shopping units, the entry rent is going to be the set rent, and because of only upward-only rent reviews, it can only go up from there, there was an assurance that the rent that would immediately come in at current market values would never be dipped below. Was that ever discussed with regard to your retail financing?

Mr. Sean Mulryan: Not really. We were not ... it wasn't ... a very small part of our business model.

Chairman: Okay, thank you. If I can maybe just bring you back to your statement, Mr. Mulryan, and I'll just bring it up on the screen there, I think it's page 19 of 20 there. And you share with the committee your comments in regard to NAMA. I think it's just coming up there, yes. It's just that lower part of the page. If I can just take the two paragraphs of that, there, Mr. Mulryan. It says:

The establishment of NAMA in the budget 2009 was done at a time of great panic. However, the uncertainty was prolonged. It took nine months for the legislation to be enacted and a further four months for Ballymore's loans to be transferred into NAMA. This was a very difficult period for Ballymore, especially as most of its activity was in the UK, particularly London, and the market there had little understanding of what was happening with the banking crisis in Ireland.

The reputational damage that Ballymore endured during this period was compounded by the fact that NAMA took over everything related to Ballymore - all loans, not just the poorer performing loans but the good loans and unencumbered assets as well.

Can I ask you maybe to elaborate on the effects of this time lag, and how it impacted upon your business?

Mr. Sean Mulryan: Well, it meant ... but I mean, I understand why. But it meant that the business didn't operate for probably 12 months; it was just absolutely stopped. And from the point of view of some of our projects in London that we would have a lot of our sales sold with 20% deposit, we had to stop whilst all that was happening. But then I understand the difficulty of handing over such an enormous amount to a new entity, and they had to get their heads around it. It was obvious that this had to happen and it was going to take time for it to bed in. So, even though that's what happened, I can understand why it happened.

Chairman: Okay. Thank you very much. I just propose we take a five-minute break, if that's okay, thank you very much, and we'll resume in five minutes.

Sitting suspended at 5.55 p.m. and resumed at 6.14 p.m.

Chairman: I'm proposing that we go back into public session and, as we move on today, I just want to clarify one matter that Senator O'Keefe raised with you, Mr. Mulryan, and then I'll invite Deputy Eoghan Murphy in. Mr. Mulryan, it's just a follow up to a question, it's more of a point of clarification than anything else. You said ... as to which Department Ballymore would have sent their views with regards to overheating to, was that the Department of Finance, or where was it?

Mr. Sean Mulryan: I'm 98% certain it would be Finance.

Chairman: Okay. All right. Would these reports have been written by Mr. Bacon or by another individual in Ballymore?

Mr. Sean Mulryan: No. Yes, one of my executives in Ballymore.

Chairman: Okay, and they were the corporate view of the company going to the Department anyway, so.

Mr. Sean Mulryan: Yes.

Chairman: Okay. Thank you. Deputy Eoghan Murphy.

Deputy Eoghan Murphy: Thank you, Chairman, and thank you, Mr. Mulryan. A lot of the areas I wanted to discuss have already been raised by other members of the committee, so if I go over old ground, just let me know and I'll move on. On page 5 of your written statement you talked about, in paragraph 4, "Whether stated in the Loan Agreement or not, the financial institution generally required a high level meeting which senior management attended [and it would happen] on an annual basis, to review the past year [to look at] the progress on [the] financed assets, general business discussion about the wider economy and real estate sector and Ballymore's future intentions". So, these annual meetings which were in the loan agreement, or not, would this be, kind of, a half-day meeting? Would it be a lunch meeting? Can you just tell me a bit about those kinds of meetings?

Mr. Sean Mulryan: No, they would be in the bank, and I would say average two ... two to three hours.

Deputy Eoghan Murphy: Okay. And at these meetings, would the banks, as they talked about Ballymore's future intentions, would they be pitching you for business? Would they be suggesting extra credit facilities or a particular site?

Mr. Sean Mulryan: Not really, no, not really. It'd be my experience of the banks they

would be looking at the overall ... their overall commitment to Ballymore and how we're performing, and looking at the overall, even though everything would be ring-fenced, the individual bank would be looking at their loan book and how are we going. And many times at those meetings they would have told us that, you know, they weren't going to have any more exposure to Ballymore.

Deputy Eoghan Murphy: They were going to have no more-----

Mr. Sean Mulryan: More exposure-----

Deputy Eoghan Murphy: Sorry, more or no more exposure?

Mr. Sean Mulryan: No more.

Deputy Eoghan Murphy: No more.

Mr. Sean Mulryan: That they felt, and that, you know, at times they would have asked us not to come back looking for any more until we had paid down so much debt.

Deputy Eoghan Murphy: Okay. So on none of those occasions, none of the banks that you did business with-----

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: -----came to you or suggested to you that they had something to offer that you weren't looking for?

Mr. Sean Mulryan: No, no, not ... absolutely no.

Deputy Eoghan Murphy: And in those discussions, did you ever get a chance to express your own concerns about what might be happening in the property market in Ireland or the types of lending that banks were pursuing, given that, as you said earlier, it was your business to know what was going on?

Mr. Sean Mulryan: Well, I think that ... through that period all our ... I wouldn't have very much discussions with the bank on the Irish operation. We were buying a lot of land in London through that period, so my meetings would be ... would be ... with those banks would be in London, and we'd be talking about, about the operation over there, because that was, at that stage, in the 2001 to 2008, that's where we were putting our funds and that's where we were acquiring land and that's where all the focus was.

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: So there would be very little discussion about the Irish housing market.

Deputy Eoghan Murphy: Okay. Moving on with the page, to the next page of your statement, you talked about, under section 5, in sub-paragraph 3, "Rapid increased supply of bank lending to these potential property developers", these are the new developers that came on line. Did you notice a change in your relationship with the bank? Did you notice a change in the culture in the bank?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: What was that change?

Mr. Sean Mulryan: Well some banks, not them all.

Deputy Eoghan Murphy: Well, with some banks. What was the change that you noticed?

Mr. Sean Mulryan: They were probably more focused on new business than dealing with old business and old loans and historic loans that had to be ... they were focused on new business, I would say, and new customers. That was the drive.

Deputy Eoghan Murphy: Okay. And-----

Mr. Sean Mulryan: And probably, maybe not in all cases now.

Deputy Eoghan Murphy: But did you ever express concern to the banks then about these 1,000 new property developers and the fact that they were chasing the business, and any concerns you might have had as to their suitability for ... as borrowers?

Mr. Sean Mulryan: No, I didn't.

Deputy Eoghan Murphy: Okay. And was it easier for you to get credit or financing or loans at the time as a result of any change that you noticed in the banks at the time, whether to old or new lenders?

Mr. Sean Mulryan: No, I think we've had the same procedure and model. I think that continued right through.

Deputy Eoghan Murphy: Okay. And would you have been aware of anyone that you dealt with in the banks making commission off the lending that they were giving to your company? No? Okay. And then, just on page 7 of your opening statement, you talk about the pitches you made for certain sites.

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: The bids. You learned that one was 35% off the pace at the time. So, in one way, I suppose, that reflects what you thought the value was of the land, but at the same time you still made the bid. Can I ask why?

Mr. Sean Mulryan: Well, on the ... on the Glass Bottle site we didn't bid, we withdrew.

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: Because we were ... we weren't remotely close to the asking price, so we withdrew.

Deputy Eoghan Murphy: Okay. But Jurys and Burlington?

Mr. Sean Mulryan: Well, with the Burlington, why? Why, because one of the banks indicated to me they would ... that we weren't doing much in Dublin, and we should be in the Dublin market and made a proposal that it be done through private banking and we should go for the Burlington site.

Deputy Eoghan Murphy: So, the bank approached you over the Burlington site?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: But, sorry, just a moment ago I thought you told me that the

banks never approached you?

Mr. Sean Mulryan: But this was private banking, private banking.

Deputy Eoghan Murphy: I don't understand the distinction.

Mr. Sean Mulryan: Sorry-----

Deputy Eoghan Murphy: This is a private bank or private-----

Mr. Sean Mulryan: The private ... private banking. Not the bank, the private ... the private equity part of the bank approached me.

Deputy Eoghan Murphy: But part of the bank?

Mr. Sean Mulryan: Well, yes, private ... private bank.

Deputy Eoghan Murphy: I mean, can we not deduce from that that it is the bank then approaching you-----

Mr. Sean Mulryan: Well, it-----

Deputy Eoghan Murphy: -----to go into a deal?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: It is?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: So, in relation to my earlier question when I asked you if any of the banks ever approached you about new lending, or about, you know, investing in a particular site-----

Mr. Sean Mulryan: Well, that's-----

Deputy Eoghan Murphy: ----the answer to that question would be?

Mr. Sean Mulryan: Well, yes, but that wasn't lending. I wasn't ... in this case, on the Burlington site, I was offered to come in, use Ballymore as the delivery of that particular site.

Deputy Eoghan Murphy: Okay. And this suggestion was put to you by the private banking in-----

Mr. Sean Mulryan: Private banking.

Deputy Eoghan Murphy: -----in one of the banks?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: And to just ... to go back to the earlier line of questioning then, did this happen often?

Mr. Sean Mulryan: No, that was the only one.

Deputy Eoghan Murphy: That was the only time it happened?

Mr. Sean Mulryan: Yes, yes.

Deputy Eoghan Murphy: Okay. You knew at the time that the market was overheated and that there was too much debt in the real estate sector, but you still went and bid?

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: Why?

Mr. Sean Mulryan: Oh we ... I suppose, in hindsight, we shouldn't have done that but we felt that we were ... we ... on that particular ... we had very little in Ireland and we are ... we have an Irish operation and we like to keep a certain activity here. And, I suppose, this particular one attracted us because the private banking was putting up the money and we weren't taking any financial risk.

Deputy Eoghan Murphy: You weren't taking any financial risk?

Mr. Sean Mulryan: No.

Deputy Eoghan Murphy: So, how did that work?

Mr. Sean Mulryan: It was the same model as worked with Nationwide for 22 years.

Deputy Eoghan Murphy: Okay. So it was an easy call then for you to make, if there's no risk involved-----

Mr. Sean Mulryan: Well, it was-----

Deputy Eoghan Murphy: -----only an upside?

Mr. Sean Mulryan: Yes, but we still didn't bid the asking price; we were €120 million under.

Deputy Eoghan Murphy: Okay, so, if there's no risk involved, why not up the asking price? There's no risk to you, so you've nothing to lose and, if you bid a higher price, you could potentially gain?

Mr. Sean Mulryan: You could, yes.

Deputy Eoghan Murphy: So why not ... why bid low? Why not bid high?

Mr. Sean Mulryan: Because what's the point? I mean, what's the point in working for five years and losing money?

Deputy Eoghan Murphy: I don't understand.

Mr. Sean Mulryan: Well, I mean to say, you're getting 50% of the profits-----

Deputy Eoghan Murphy: Yes

Mr. Sean Mulryan: -----on this, I'm using the Burlington as an example.

Deputy Eoghan Murphy: Yes.

Mr. Sean Mulryan: You're getting 50% of the profits; okay. If you pay too much for the land, okay?

Deputy Eoghan Murphy: Yes.

Mr. Sean Mulryan: €100 million too much, or €120 million, you're going to get nothing anyway, so what's the point?

Deputy Eoghan Murphy: But I thought you said there was no risk to making the investment on your part?

Mr. Sean Mulryan: But there's time. Time is money and time is risk.

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: So you don't ... you pay the price that you think is appropriate, regardless of whether you are putting in no money or not. That was the way we ... that's what was our decision on that.

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: So we thought that we would go with this. We were taking no financial risk, but we still stayed ... we still put ... we still bid what we thought was the appropriate price.

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: We didn't take into consideration paying too much because we weren't putting anything in to make sure we got it.

Deputy Eoghan Murphy: Okay. So, given the overheating that you were aware of in the market, and there's too much debt as well in the real estate sector, and it was the first time an approach like this had been made to you-----

Mr. Sean Mulryan: Yes.

Deputy Eoghan Murphy: -----did that concern you at the time?

Mr. Sean Mulryan: Well, as I said to you, probably what was influencing it, we liked ... we had very low activity in the Irish market and we would always like to have to do ... to keep activity in the Irish market and that's probably influencing us, just to do one project and keep it moving.

Deputy Eoghan Murphy: Okay. And just on page 7 as well, in your statement, you say:

Ballymore sought to manage its multi-bank borrowing by:

(1) Availing of credit from various providers so as to mitigate any level of dependence or overreliance on a specific source ...

Were you successful in this?

Mr. Sean Mulryan: Sorry?

Deputy Eoghan Murphy: Were you successful in availing of credit from various providers so as to mitigate any level of dependence or over-reliance on a specific source?

Mr. Sean Mulryan: Probably not, when we see where we have ... with NAMA, it obviously ... obviously not.

Deputy Eoghan Murphy: Yes. I mean, just because, looking at page 11 in the table that you provided, and it's very helpful. I mean, the majority of your lending is with one institution, Anglo Irish Bank. So how did it come to be that the ... I suppose the policy of Ballymore was to spread its risks across banks in terms of its borrowing, but then it ended up with having 50% of its borrowing from one Irish institution?

Mr. Sean Mulryan: How did it happen?

Deputy Eoghan Murphy: How did that happen? I mean, was there a breakdown inside Ballymore in terms of your internal lending strategies, your risk procedures?

Mr. Sean Mulryan: I can't answer that because they were a long-standing bank. They used to, you know, ... we were hugely successful with them. Why? It was €1.1 billion. It was just the way we operated with them over 20 of years. It built ... it built slowly.

Deputy Eoghan Murphy: Okay. You also said that you sought to manage your multi-bank borrowing by - point 2 - "Presenting opportunities to several providers seeking the most competitive commercial terms." If we again look at the table on page 11, it would appear that Anglo Irish-----

Chairman: Be mindful of the sensitivity of the commercial information, like ... that-----

Deputy Eoghan Murphy: I'm just using information that's been provided, Chair.

Chairman: Sure.

Deputy Eoghan Murphy: Thanks.

Chairman: I just need to, kind of, put that in the space, Deputy.

Deputy Eoghan Murphy: Again, on page 11, Anglo Irish Bank seem to have always secured the most commercial ... competitive commercial terms for you.

Mr. Sean Mulryan: I wouldn't ... I don't agree with that. I mean-----

Deputy Eoghan Murphy: Okay.

Mr. Sean Mulryan: -----I don't agree with that. I think that ... look, it varied from development to development.

Deputy Eoghan Murphy: Okay. But can I ask just then, as a final question, would you ever ... have ever borrowed from Anglo, even if it wasn't on the most competitive ... or most competitively commercial terms available?

Mr. Sean Mulryan: We probably would.

Deputy Eoghan Murphy: You probably would. Why?

Mr. Sean Mulryan: Because of the long-standing relationship and the trust that we had built up over 20 years.

Deputy Eoghan Murphy: Okay. And just my final question then, would you ever have sought to borrow from an Irish bank, been refused and gone to its subsidiary in the UK to borrow or *vice versa*?

Mr. Sean Mulryan: No, definitely not.

Deputy Eoghan Murphy: No. Okay. Thank you.

Chairman: I don't know if-----

Deputy Eoghan Murphy: It's the answer to the question. It's fine, Chair.

Chairman: Okay. All right, thank you very much. Okay. Deputy Joe Higgins.

Deputy Joe Higgins: Mr. Mulryan, I'd like to explore with you, under one of the one of the terms of reference of the banking inquiry, 3(b)(ii), "relationships between State authorities, political parties, elected representatives, supervisory authorities, banking institutions and the property sector". Now, in your introduction, Mr. Mulryan, you say the land bank is the key to future business planning. And you say you have to have land in the pipeline and then you say, "this land must be developed in stages from completing the site assembly required, securing a feasible planning permission through to the marketing and eventual sales of homes". And, in relation to that, I wonder if you could give us a picture of how that's achieved and, perhaps, particularly in relation to ... in the 1990s you began to assemble what were known as the Charleslands near Greystones in County Wicklow. So was it a land bank of about 200 acres?

Mr. Sean Mulryan: Yes.

Deputy Joe Higgins: Yes. And one of the most prominent auctioneers locally, Dooley solicitors ... or auctioneers, brought the land to you, your partner was another developer, Mr. Sean Dunne, and then you set about see ... getting planning permission. Okay. And in 2002 you got planning permission, register reference No. 14910, and 015318, and one of those permissions was for up to 1,500 homes. And what was going to go on the rest of the land?

Mr. Sean Mulryan: Industrial. The rest of the land was industrial.

Deputy Joe Higgins: Okay. And you say in your statement "securing a feasible planning permission", but that site was landlocked and you needed Wicklow County Council to give permission to build roads through a 20-acre site that was owned by it, which was earmarked for social housing. So how did you go about unlocking that problem?

Mr. Sean Mulryan: By doing a master plan and hiring the master planners to master-plan all of the ... all of that area ... for the infrastructure of the area and the roads to service it.

Deputy Joe Higgins: Yes, but you needed a material contravention of the development plan for the county council-owned lands. I'm just wondering how a developer in that position deals with the council, how do you approach that issue ... to secure a material contravention, which is crucial.

Chairman: I just need you to be mindful, Deputy, of the overview that the relationship ... the business model and the banking crisis. I'd just be careful of commercial sensitivity here, okay? Continue.

Deputy Joe Higgins: Yes. I'm ... speaking under a particular terms of reference-----

Chairman: I'm letting you continue on just ... are you moving on? I just want to let you know that-----

Deputy Joe Higgins: -----it's relation to leverage, as well-----

Chairman: -----that guarded advice, Deputy.

Deputy Joe Higgins: There was a vote for material contravention to secure roads in that land on 12 May and it was defeated. And then on 17 July ... can I refer to a public document, Mr. Mulryan? You're aware of this document.

Chairman: It has been provided to the witness, has it?

Deputy Joe Higgins: Yes. This is an agreement dated 17 July and it's ... it's between you and Wicklow County Council. You're aware of this-----

Chairman: Mr. Mulryan, are you familiar with the document that has been provided to you?

Mr. Sean Mulryan: Absolutely not, no.

Deputy Joe Higgins: This is a public document in the planning section of Wicklow County Council, an agreement between Brambleglen Limited and Ballymore Contracting Limited, Sean Mulryan and Sean Dunne and Wicklow County Council, signed 17 July.

Mr. Sean Mulryan: All right.

Deputy Joe Higgins: Okay?

Mr. Sean Mulryan: Mm-hmm.

Deputy Joe Higgins: You know the agreement I'm talking about?

Mr. Sean Mulryan: I don't, but go for it.

Deputy Joe Higgins: But, Mr. Mulryan, it's ... present when the official seal of the council of county Wicklow was affixed is a nominated member-----

Chairman: You're moving beyond the terms of reference now, so I need you to kind of move to a question or to make clear why you want to travel with this please.

Deputy Joe Higgins: Yes, the point is, Chairman, that there's a document signed here by Mr. Mulryan, by Mr. Dunne, by a member of the council, a nominated member, Councillor Vance, and the country manager, which secures the road easements that the developers needs from Wicklow County Council. The point is, that according to section 183 of the Local Government Act 2001, that is a reserved function of the elected members but it was never brought to the elected members.

Chairman: Okay, sorry, Deputy, you're ... we're drifting into ... sorry, Deputy-----

Mr. Sean Mulryan: I think it's the county manager that you should be talking to. I have no idea. I think it's the county manager who is the boss, who runs the council, who ... who has ... I can't do a material contravention. It is the manager that has to do that and the authorities. I can't influence them.

Chairman: Okay.

Deputy Joe Higgins: But you were not aware that the elected members were not notified of this?

NEXUS PHASE

Chairman: Sorry, sorry, Deputy ... Deputy, I'll have to ... I'll have to bring you back from that space, okay. I really do.

Deputy Joe Higgins: In, in relating to this issue, Mr. Mulryan, and how developers and local authorities interact, auctioneer, Mr. Dooley, for example, says that a meeting in his office to discuss this road problem was held in April. There was a councillor present, himself, and Mr. Dunne.

Chairman: We're drifting outside the terms of reference now-----

Deputy Joe Higgins: Would that be ... would that be a normal way of-----

Chairman: -----I have to give Mr. Mulryan a bit of space here, Deputy.

Deputy Joe Higgins: -----discussing the problems?

Mr. Sean Mulryan: Sorry, I don't see, Chairman-----

Chairman: Yes.

Mr. Sean Mulryan: -----what this has to do with the banking-----

Chairman: No, I-----

Mr. Sean Mulryan: -----with the banking inquiry. I'm astonished.

Chairman: Yes. Okay, and I'd ... what you call it, I would have to concur with your opinion, Mr. Mulryan, and it's drifting outside the terms of reference and you're free not to respond to that if you so wish.

Deputy Joe Higgins: But ... sorry, Mr. Chairman, I don't want to be difficult, but why is it outside the terms of reference? I'm exploring the relationship between ... as I indicated at the beginning, between the State authorities, the property sector and elected representatives.

Chairman: I ... if you wish I'll just go through the ... just legal advice now. If you wish, I can go into private session ... or, just private session to deal with this, if you wish, Deputy.

Deputy Joe Higgins: No, but let me just-----

Chairman: Okay.

Deputy Joe Higgins: I want to move on-----

Chairman: Okay, please.

Deputy Joe Higgins: -----fairly quickly. But one further thing, Mr. Mulryan, is that Mr. Dooley says a further meeting was held in March 2003, that that meeting discussed all the possibilities of the access road, etc., and outlined drawings of how it could be resolved, that he attended that meeting, that it was in Dobbins restaurant-----

Chairman: I need a question, Deputy, please.

Deputy Joe Higgins: -----in March and that you and Mr. Dunne-----

Chairman: I need a question, Deputy, that's in the terms of reference.

Deputy Joe Higgins: -----and the councillor attended. Do you remember that meeting?

Chairman: I need a question.

Mr. Sean Mulryan: Well, we had ... we had many meetings and I would have to say-----

Chairman: Mr. Mulryan, I just need to advise you that we're drifting beyond the scope of the terms of reference here.

Mr. Sean Mulryan: Okay.

Chairman: I'm not going to choose this moment to tell somebody not to answer a question but the prerogative and the decision to answer, that rests entirely with yourself, if you wish to or wish not to.

Mr. Sean Mulryan: No, I think ... I think, I'm certainly not fully up to speed with it and I don't think ... I don't think it's ... it is ... it's more relative to planning-----

Deputy Joe Higgins: Yes.

Mr. Sean Mulryan: -----and it's more relevant to-----

Chairman: Please, Deputy, without interruptions.

Deputy Joe Higgins: The point, Mr. Mulryan, is-----

Chairman: Deputy, without interruption.

Deputy Joe Higgins: -----would it be normal for ... or would it be appropriate, for someone from a major-----

Chairman: Deputy, please, without interruption there. Mr. Mulryan has indicated his position on the question. I can go into private session and we can have a long legal discussion around this but I don't want to be interrupting your time.

Deputy Joe Higgins: No. But just in terms of the interaction between the local authority and the developers, the banking sector, etc., would it be normal for developers, or appropriate to meet with a councillor-----

Chairman: It would assist you, Deputy, if you ask a question.

Deputy Joe Higgins: -----to discuss details, and then the councillor brings their proposal into the local authority in the interest of the developer. Do you think that's appropriate, or was it normal?

Chairman: You're outside of terms of reference there.

Mr. Sean Mulryan: It would be appropriate to work with the local authorities if there's major developments to be delivered. I mean, somebody has to deliver them and you must work and co-operate with the local authorities and the local communities and deliver the infrastructure. And you can't do that without dealing with the authorities and the bodies in the authorities and negotiating.

Chairman: Maybe if I can just reshape the question for you, which I think ... I'll stop the clock for you, Deputy ... every local municipal authority in the country, Mr. Mulryan, would,

on a five-year cycle, put together development plans. And that development plan would, kind of, identify areas of zoning; this would be residential, this would commercial, this would be development and so forth. As part of your business practice, would you have engaged with authorities to see where the development plan was going and you would look at your own business model in conjunction ... in line with how a development plan might be evolving over the five-year cycle?

Mr. Sean Mulryan: Absolutely, yes. We would do that, yes.

Chairman: Okay. Deputy.

Deputy Joe Higgins: Yes. Just to move on quickly then. Then, Mr. Mulryan, in that site or any site, by any developer, when these problems are resolved for the developer and the planning permission is achieved, the price of the land would increase exponentially, would that be correct?

Mr. Sean Mulryan: Or decrease, depending on the market.

Deputy Joe Higgins: In the period of the bubble that this inquiry is trying to look into, would the price of a site like that increase manyfold?

Mr. Sean Mulryan: As I said, and as we have seen from history, it depends on ... it's very ... the cycles are every five, seven years. Land can, we'll say for instance, increase in value by 60%, 70% and it can equally decrease in value by 60% or 70%. That's the way it is.

Deputy Joe Higgins: I understand that, Mr. Mulryan, but in the Ireland of 2002 and 2003, if a site like that was purchased for, let's say, €20 million or €25 million, planning permission for 1,500 houses was secured, planning issues were resolved, would the price of that land then increase exponentially?

Mr. Sean Mulryan: Absolutely, yes.

Deputy Joe Higgins: By ... could you put a factor on it?

Mr. Sean Mulryan: Not specifically, no.

Deputy Joe Higgins: Any rough-----

Mr. Sean Mulryan: It varies on many, many issues it varies - there's many variations, you can't generalise - and locations.

Deputy Joe Higgins: Okay. Well-----

Chairman: Wrap up so, please, Deputy.

Deputy Joe Higgins: I'll just put ... to finish the line. Just, I don't know, and unless you want to tell me how much you paid and then when you sold the land on to other developers, how much you-----

Mr. Sean Mulryan: I actually wouldn't be able to tell you that. I don't know.

Deputy Joe Higgins: You couldn't. Well, let's say for the sake of argument that ... and this is just for the sake of trying to illustrate a point in relation to housing particularly, that it went from €20 million to €100 million. That would mean that the price of a site, of the 1,500

homes, would go from €13,000 to €66,000. Do you think, Mr. Mulryan, as a major developer, that it's just and right that young people would then be paying that for the rest of their lives for the profits of banks and developers to-----

Chairman: Deputy, I'm going to have to interject there. The question is made, Deputy, and the intent of it ... I'm not too sure if Mr. Mulryan wants to-----

Mr. Sean Mulryan: Well, I might as well tell you, I do sympathise with young people and trying to get on the housing ladder. Absolutely.

Deputy Joe Higgins: Okay. But-----

Chairman: Deputy, I'm going to have to close it there, I really am. Deputy Pearse Doherty.

Deputy Pearse Doherty: Go raibh maith agat, agus failte romhat. Going back to, just, one of our terms of reference in relation to relationships between State authorities, political parties, elected representatives and supervisory authorities, the banking institution and the property sector. Can I ask you in relation to your ... going back to your relationship with Mr. Cowen, the former Taoiseach, it was reported back in 2011, it says, "the Mulryans, who are famous for throwing lavish parties where guests such as Anglo Irish Bank's Sean FitzPatrick would mingle with Fianna Fail's Charlie McCreevy and Brian Cowen." Is that an accurate statement or not?

Mr. Sean Mulryan: Sorry, that?

Deputy Pearse Doherty: Is that an accurate statement or not?

Mr. Sean Mulryan: That they would mingle where?

Deputy Pearse Doherty: That some of the parties that you have thrown, and you've mentioned that the Taoiseach would have been guests at those, and Charlie McCreevy, but would they have also included ... senior people from the financial institutions including Seán FitzPatrick?

Chairman: Can you just quote the source of that there please, Deputy?

Deputy Pearse Doherty: The source is ... it's by a ... the investigator editor of, I think it's the *Mail on Sunday*, it's Michael O'Farrell, posted on 30 October 2011.

Chairman: Are you familiar with that, Mr. Mulryan, are you?

Mr. Sean Mulryan: No.

Deputy Pearse Doherty: Well, the question is, outside of the post, the question is very simple. Did you throw parties where the, the former Taoiseach, Brian Cowen, or did you have entertainment or did you host events where Brian Cowen and Seán FitzPatrick would have been in each other's company?

Mr. Sean Mulryan: I can't remember that, but ... Seán FitzPatrick has been in my home on very few occasions. Very few, that he has been there, but I couldn't tell you off the top of my head, but very few.

Deputy Pearse Doherty: Okay, okay, and ... they, they would be events where other guests would be in a ... in attendance.

Mr. Sean Mulryan: Mostly sporting occasions, once a year we would do a ... we would do a party and we would invite neighbours and ... and people from the horse racing business. I'm in horse racing in a way.

Deputy Pearse Doherty: And the types of parties that you run, without intruding, and I'm only looking at the relationships in terms of the sectors that I outlined. When the former Taoiseach and former Finance Minister were in attendance, would there have been individuals from the financial institutions? Would it be the norm that, that there would be key people from financial institutions in attendance? Were they on the guest list?

Mr. Sean Mulryan: There was never the norm, I would do one sporting event every year and I might have 100 people there; neighbours, people from the sporting sections and a few ... and on some occasions ... one or two occasions, Seán FitzPatrick was there and a few occasions other people were there. I don't know how, I don't know at which times I can tell you that they were all there, I can't tell you that.

Deputy Pearse Doherty: Of course, I, I can understand ...I appreciate that. In relation to ... what Senator O'Keefe was talking about in relation to the delegation to China, which I think was led by the former Taoiseach, Bertie Ahern, if that's correct. You were in attendance there when he met the governor of one of the provinces, is that correct?

Mr. Sean Mulryan: Yes.

Deputy Pearse Doherty: Who else was in attendance at that meeting?

Mr. Sean Mulryan: There was two Ballymore executives, the Taoiseach had a delegation with him, I-----

Chairman: Now, we're kind of moving to the edge of the terms of reference-----

Deputy Pearse Doherty: No, no, the reason I'm asking ... the question I'm putting to you directly was, was Des Richardson the, the person who instigated the Galway tent, the major fund-raiser for Fianna Fáil, was he in attendance at that, at that meeting?

Mr. Sean Mulryan: I don't think he was at the meeting but he was in China with Bertie Ahern at that time.

Deputy Pearse Doherty: Okay. Do, what ... can you outline to the committee your relationship with Fianna Fáil's main fund-raiser, or the person behind the Galway tent? As he called it this week, I think it was his baby.

Mr. Sean Mulryan: Sorry?

Deputy Pearse Doherty: I think he said it was his baby, this, this week, so can you outline the relationship, did you have a relationship either personal or business relationship-----

Mr. Sean Mulryan: With who?

Deputy Pearse Doherty: With Mr. Richardson.

Mr. Sean Mulryan: Absolutely not. I know him, and ... he was a fund-raiser and he would have approached us over the years for, for as you said the Galway tent and that, so I'd know him from that point of view, as the Fianna Fáil fund-raiser.

Deputy Pearse Doherty: Okay, and in relation to just political donations, just to make this clear, I think it was asked earlier on but just to focus in on this; in terms of ... outside to the parties, did you provide political donations to individual TDs or Ministers and did you also include their chief fund-raisers in relation to that, to the parties?

Mr. Sean Mulryan: Included the chief fund-raisers? No.

Deputy Pearse Doherty: No. And did you ever purchase property or were the beneficial owner of property from either Ministers, TDs or ... the chief fund-raiser, in the form of Mr. Richardson?

Mr. Sean Mulryan: No.

Deputy Pearse Doherty: No. Okay, can I ask you in relation to the ... on page 11, in terms of the debts that you have shown from the institutions, which was based on your 31 March 2009 accounts, which show a total of, it'll come up on the screen, it's on page 11 of your statement ... €2.378 billion of debts to the financial institutions. Can you inform the committee whether that is debts solely to Ballymore Properties or did you have additional debts that were private, outside of the company? And also if you can ... did you have any other vehicles or companies that aren't included in relation to this?

Mr. Sean Mulryan: Yes, we had a ... there is a company that is not related to this, it's a company that myself and a friend of mine owned, Markland, and it's not, it's outside of this. Not within the reference.

Deputy Pearse Doherty: But it's within the terms of reference, it's ... would this company ... this company would have had-----

Chairman: Mr. Mulryan is entitled to commercial sensitivity as well, Deputy, okay?

Mr. Sean Mulryan: This is ... now I'm talking for Ballymore Properties.

Deputy Pearse Doherty: Yes.

Mr. Sean Mulryan: That's what this is, what I'm asked to discuss. That's what I'm here to do.

Deputy Pearse Doherty: Okay. I appreciate that. Okay, but just to clarify, because there have been reports in the paper for ... and this is where I was concerned in relation to your exposure to Bank of Ireland, which seems very low here, but there has been reports that it was actually hundreds of millions in excess of that. But that would be in relation to other companies or other interests that you had?

Chairman: We're going into commercial sensitivity here now again, Deputy.

Deputy Pearse Doherty: Okay. Well, can I say in relation to your final ... to your statement at the end, in relation to "... history will show that NAMA was effective in ensuring that monies borrowed were repaid".

Is that only in relation to Ballymore that you're talking about?

Mr. Sean Mulryan: No.

Deputy Pearse Doherty: No, you're talking about all entities?

Mr. Sean Mulryan: Absolutely.

Deputy Pearse Doherty: And, can we just clarify that you're talking about the loans that were taken out from the financial institutions and not the money that was paid for those loans by NAMA?

Mr. Sean Mulryan: Absolutely.

Deputy Pearse Doherty: Okay. And in relation to NAMA, you'll be aware, or you may be aware, that NAMA, and this is from ... the public accounts committee received correspondence back in 2011 from Brendan McDonagh talking about the incentivisation mechanisms, and he talked at that point in 2011 that legally binding agreements had been entered into with nine debtors, under which the proposed incentives are in place. And he goes on to say, "Incentivisation mechanisms may sometimes be included; for example, profit above a target NAMA repayment level could be shared 90% to NAMA and 10% to the debtor."

Chairman: What document are you referring there to Deputy?

Deputy Pearse Doherty: It's a document from the PAC but it's a public ... the question I'm putting to him is-----

Chairman: I know they might be public but the witness does need to have a familiarisation with things as well.

Deputy Pearse Doherty: Okay, are you familiar with the incentivisation proposal that NAMA has?

Mr. Sean Mulryan: Look it, I have a legal agreement with NAMA and, in that legal agreement, I have a serious confidentiality-----

Chairman: And I don't want you to breach that, Mr. Mulryan-----

Mr. Sean Mulryan: -----and I can't breach that-----

Chairman: -----and I'm not asking you to do so either.

Deputy Pearse Doherty: Okay, the reason I asked this question, without ... and I'm not asking you to breach your ... the confidential agreement - and nobody would expect you to do that - with NAMA, but your statement that everything will be paid back that you borrowed, the question that may arise is, if this incentivisation clause is within your contract, then you would actually receive 10% of that money that is owed to the banks?

Mr. Sean Mulryan: Unfortunately, that's a breach in my confidentiality.

Chairman: And in respect to the witness, that is a document that he has signed and a legal position that he has to maintain.

Deputy Pearse Doherty: Okay. On page 8 of your statement you contrast the professional business model of Ballymore with that of the 1,000 or so new entrants many of whom, you say, on page 22 of your statement, "had little or no experience in property development". How significant a part did these new entrants play in the creation of the property bubble, in your view?

Mr. Sean Mulryan: Well, 1,000 sounds a round number. I don't know who ... one of my guys ... okay, so it's speculation whether it's 1,000 or 800, to be honest, okay?

Deputy Pearse Doherty: Yes.

Mr. Sean Mulryan: Absolutely, I would say that was ... that that created enormously ... because let's face it, what is a property developer, you know what I mean? If it was 800 ... but in the whole of Ireland, I know most of the property developers and I'd say there's no more than 100. And so everybody became a property developer and I think that was a huge part of the problem. I'm not saying property developers ... you know, they make mistakes as well, but I think that contributed enormously. You had ordinary people calling themselves property developers, buying properties, not alone in Ireland, in Bulgaria, in Romania, all over the world and in Ireland and building big portfolios on 95%, 100% finance. I think that was a huge contribution to the problem.

Deputy Pearse Doherty: Okay, and from what you observed, what were the critical difference between the business model of these new entrants - whatever number they were - and your own company, Ballymore? And if you can refer to risk assessment in your response, I would appreciate that.

Mr. Sean Mulryan: Well, I think ... what was the difference? The difference was that, I think, we had the experience in the business. We weren't ... we delivered for 30 years. Somebody starting day one, who has no experience, wouldn't have the capability or the track record to know how to deal with situations that happened.

Deputy Pearse Doherty: Can I ask you a final question? Mr. Mulryan, if the Government didn't guarantee Anglo Irish Bank and didn't establish NAMA ... if Anglo Irish Bank folded, given the level of exposure that you had to Anglo Irish Bank, where would you be today?

Mr. Sean Mulryan: I ... I can't answer that because it didn't happen, it's ... I just don't know. It didn't happen.

Deputy Pearse Doherty: You mention in your-----

Chairman: Leading, Deputy, now. I'll allow you with the question but don't lead, okay?

Deputy Pearse Doherty: The reason I ask is, you mentioned in your statement that NAMA bought you time, bought your company time, and that was required. There are many people that are maybe watching this that didn't have a vehicle to buy time. Many people's houses have been repossessed and they've never had the opportunity that others may have had. But if that time wasn't bought for you or for your company, the question I'm asking you is, how important was that? Where would you have been? You had over €1 billion exposure to NAMA-----

Mr. Sean Mulryan: Yes, but-----

Deputy Pearse Doherty: -----your loans would obviously be in default and would be called upon-----

Chairman: Now, let Mr. Mulryan answer the question. You're putting-----

Mr. Sean Mulryan: Where would I be? I've no idea.

Chairman: And if he wishes to.

Mr. Sean Mulryan: But there was alternatives to NAMA in a situation like that. We had a ... in London we had a tremendous London land bank, about 20,000 lots along the river, in

London, bought really well. And there were many institutions in the world that, if I knocked on their door at that particular time, that would definitely have come with us and taken us out and would have done ... maybe we would have done much better than with NAMA. I am absolutely certain of that.

Chairman: Thank you very much, Deputy. I'm going to bring matters to a wrap-up. I'm want to deal with a couple of items with you ... and maybe if I can just take a different sort of aspect to the earlier question Deputy Doherty asked, Mr. Mulryan, when you said that ... or you were giving evidence that there was a lot of ... more people came into the construction business, people without a history in the area and the expertise and all that goes with that. Given that this inquiry is about going into the future as much about the past, do you have a view as to how the corporate structure of significant development companies that would have tens and hundreds of millions of euros in investments and that ... there is, kind of, a counter approach, and it's been said in some testimony here, that corporations ... or that operations of that size are usually corporations that have shareholders and stuff, it just wouldn't be a person by limited guarantee? Would you have a view on what type of ... sort of model would-----

Mr. Sean Mulryan: I'm sorry, I've just missed that one.

Chairman: Sorry, in that the ... going back to your earlier response to Deputy Doherty, where you said there was thousands of people came into the property ... construction, people who had no background in building became developers overnight and so forth. In earlier testimony to this inquiry, there was discussion with regard to a different type of business model into the future that might be more sustainable and that might not create situations where one individual or a very tight team of people through a sort of conglomerate ... not a conglomerate but a cartel, coming together, or whatever ... would have such a level of exposure and indebtedness. So a company that would be borrowed ... or would be in construction that maybe would have €0.5 billion or maybe €2 billion worth of liabilities and assets would be ... would have a corporate structure with shareholders and that type of approach. Has that been something that you've given consideration to, given your experience over the last decade?

Mr. Sean Mulryan: Absolutely, yes.

Chairman: Could you maybe elaborate upon that, please?

Mr. Sean Mulryan: You're talking about, sorry ... funding-----

Chairman: Yes, the funding of a construction company, as opposed to one person being a limited company and ending up with a situation maybe they're €1 billion in debt or a very, very small company with that type of debt.

Mr. Sean Mulryan: Well, that's where ... before the crash, that's where we were going.

Chairman: Okay.

Mr. Sean Mulryan: I had brought Dr. Michael Smurfit on the board of Ballymore ... wasn't totally comfortable with the level of debt and we were looking at new ways to deleverage and go forward. And our plan ... if we hadn't had the crash, we would probably have listed on the London and Singapore stock market, and we would have taken out a huge amount of the debt ... and reduced, obviously, my share in the company.

Chairman: Just to return to the past for a while, then, Mr. Mulryan, NAMA applied a dis-

count of 5.25% to the long-term value of acquired properties to cover due diligence - this was on the macros level now - 0.25% and enforcement at 5%. In your dealings with Irish banks, how would you rate the extent to which the banks sought robust legal documentation as part of the application process and was reliance on solicitors' undertakings, either commonplace or a rare situation, by your experience and observations?

Mr. Sean Mulryan: Well, from my experience, we had a model and it never changed right through that long period with the banks and I can't comment on how the banks dealt with other borrowers.

Chairman: All right, okay. Just a final question there. On, I think it's page 6 of your statement ... and I can bring it up, if you wish, if you don't have it there in front of you. You can contrast ... sorry, actually I've the wrong there, sorry. Did you observe any differences in loan monitoring between your various lenders? For example, did all lenders undertake inspections of key milestones? Was it a kind of a one size fits all by all the different institutions? Was there a variance or sort of menu or different type of lend?

Mr. Sean Mulryan: As I said, I didn't ... from the model that we had right through, I didn't see much of a change at all.

Chairman: Okay. And finally, is ... it's just something you picked ... that you commented on earlier and if I ... maybe I can just pick up on that once more and get some further clarification. You commented upon how banks had loosened their lending standards and if maybe if I can ask is ... did this have any relationship to why you diversified outside of Ireland and maybe if you could elaborate-----

Mr. Sean Mulryan: Sorry?

Chairman: You commented earlier on how banks had loosened their lending standards and maybe if you could just talk a bit further to that and if you can say, if this was in any way related to you diversifying your business model outside of Ireland?

Mr. Sean Mulryan: Did the banks loosen their business model in relation to Ballymore?

Chairman: Yes.

Mr. Sean Mulryan: And-----

Chairman: Or in general? You had done business over a period of time, so you would obviously been dealing with the financial institutions over a period. With the variation and the loosening of the model, did the Irish banking model have any relationship with you diversifying outside of Ireland?

Mr. Sean Mulryan: I don't fully ... but anyway, I just go back to my experience with the banks over the period that I operated with them before the problems. We didn't see much change over that period of time of how they dealt with us. What's more, the numbers got bigger, there's no question about that. Like, the numbers were bigger as the business got bigger but it was the same model that worked consistently right through.

Chairman: Okay. Thank you. We'll move to wrapping things up so and if I can move to Deputy Michael McGrath, please.

Deputy Michael McGrath: I've no more questions.

Chairman: Thank you very much. Senator O’Keeffe.

Senator Susan O’Keeffe: Yes, thanks. I just have four questions, very briefly. Thank you, Mr. Mulryan. Mr. Bacon, we know is involved in the establishment of NAMA, and I’m not wishing to discuss NAMA, but did you have any opportunity to talk to Mr. Bacon about how NAMA might look or how an organisation like that might be set up?

Mr. Sean Mulryan: Mr. Bacon left Ballymore in 2007 and since then I have had one phone call and one meeting with him in that period of time.

Senator Susan O’Keeffe: Okay. Were you paid a salary by NAMA while you were-----

Mr. Sean Mulryan: No. Please-----

Chairman: It’s very confidential ... so.

Senator Susan O’Keeffe: Sorry, I didn’t realise. David Brophy was one of your directors, isn’t he? Or one of your-----

Mr. Sean Mulryan: Yes.

Senator Susan O’Keeffe: Yes. He was also a director of INBS, isn’t that the case?

Mr. Sean Mulryan: Correct.

Senator Susan O’Keeffe: How did that arise and can ... could that have contributed to any conflict of interests that one of your directors was-----

Chairman: Mr. Mulryan now might not be factual in that. I don’t want you to be speculating. So, unless you can ... factual-----

Mr. Sean Mulryan: No, on David Brophy I can give you ... I have ... I’m going to read it out, is that okay?

Chairman: Okay, yes.

Senator Susan O’Keeffe: Of course.

Mr. Sean Mulryan: The Ballymore board identified the need for an operating person with a banking treasury and law background. Mr. Brophy joined the company as chief operating officer in August 2006. Mr. Brophy was recommended by Dr. Michael Smurfit from his experience as head of treasury at the Jefferson Smurfit Group. Mr. Brophy also sat on the board at the time he joined Ballymore, including a period on the board of Nationwide Building Society, which he joined in February 2006. This appointment required the approval of the Central Bank of Ireland. At no stage during the period, Mr. Brophy sat on the board of Ballymore and INBS, did any matter arising where he was in a position of conflict of interests. No lending from INBS occurred after the date of his joining the board of Ballymore and if discussions arose, Mr. Brophy always excused himself from any discussion.

Senator Susan O’Keeffe: Thank you. And finally, figures that ... and I understand these were figures that were released, properly released by you in 2010, indicated that four directors of Ballymore would have been paid €2.9 million between them for 2010. I am just wondering how that fits with what you have been telling us earlier about how, you know, people worked very hard and sacrificed a lot. Again, to the public at large, €2.9 million between four directors

would seem to be a lot of money.

Mr. Sean Mulryan: Well, I suppose what would have happened that-----

Chairman: Just there-----

Mr. Sean Mulryan: -----these are legal contracts-----

Chairman: They would, yes.

Mr. Sean Mulryan: NAMA was established in 2010, so it would be the finalising of the-----

Chairman: Indeed-----

Mr. Sean Mulryan: -----legal contracts-----

Chairman: Okay-----

Mr. Sean Mulryan: -----leading in from 2008 and '09.

Chairman: Okay, if we can get one-----

Mr. Sean Mulryan: It stopped after that.

Chairman: Okay, if we can get one asked that can be answered, we'll end with that.

Senator Susan O'Keeffe: Thank you.

Chairman: Okay, thank you very much. Okay, I'm going to wrap up with that. Mr. Mulryan, if there is anything further you would like to add by means of a closing statement or any comment, I will accommodate you if you wish.

Mr. Sean Mulryan: I would like to ... there was a ... and I think it's appropriate, an article in the ... in *The Irish Times* today regarding one of our developments and the sales. I don't know, is it appropriate to respond to that?

Chairman: I'm unsure, to be honest with you. Okay, but I'll try to accommodate you. I'm not too sure if this is the appropriate forum for it but, look, you have been a co-operating witness as best as you can today, Mr. Mulryan and if you are not going to breach any legislation right in front of my eyes, I'd like to give you a bit of leverage.

Mr. Sean Mulryan: Okay, well, I'd just like to read this out.

Chairman: Okay.

Deputy Joe Higgins: Sorry, Chairman, sorry, Chairman-----

Chairman: Okay.

Deputy Joe Higgins: I think this is completely out of order, with respect.

Chairman: I'll suspend-----

Deputy Joe Higgins: You stopped me from asking Mr. Mulryan questions that I believe were very pertinent to try to explore the whole bubble and-----

NEXUS PHASE

Chairman: Just, just-----

Deputy Joe Higgins: -----crisis and role of developers and banks and now you are allowing the witness to read a statement in relation to-----

Chairman: I, I am hearing you, Deputy and I'm trying to operate-----

Deputy Joe Higgins: -----an issue over in Europe?

Mr. Sean Mulryan: No, this is related to Ballymore and NAMA and finance and a contract right now.

Chairman: Okay, I don't know if we are getting into contracts now it might not be appropriate.

Deputy Joe Higgins: Can we ask questions on it then?

Deputy Eoghan Murphy: Chairman, I mean, if its pertinent to the banking inquiry, as we have been progressing this-----

Chairman: Okay, if it's relevant, just to be clear here, where we are and I can accommodate everybody, the ... in regard to your own situation, Deputy Higgins, I'll give you as much accommodation and flexibility as I could, however, you were coming on the edge of what would be considered terms of reason or terms of reference and other part of it - Freudian slip there maybe - apologies, I think we are getting late in the day. But I would also like to, if possible, if you're ... I don't want to get into the situation where ... where a witness would knowingly stray off the terms of reference as well. So I just need a bit of ... a bit of fairness here, if I can and I'd ask you to proceed slowly. Every witness that comes in before this inquiry, since we have started, I have asked them at the end of it if they wished to make a closing comment and in this regard, I am doing the same with Mr. Mulryan. Deputy-----

Deputy Eoghan Murphy: Just to clarify, Chair, I mean if you could clarify it through the witness. If this in relation to a particular commercial decision-----

Chairman: Yes, we can't-----

Deputy Eoghan Murphy: -----then we shouldn't be able to go into it. We weren't allowed to go into other commercial decisions-----

Chairman: Yes, exactly-----

Deputy Eoghan Murphy: -----with the witnesses-----

Chairman: And that would be the balance. If this relates to a commercial matter and a business relationship, we didn't pursue-----

Mr. Sean Mulryan: It's related to NAMA, Ballymore and €80 million.

Chairman: Sorry, Deputy-----

Deputy Michael McGrath: Can I ask if the statement has been made with the consent of NAMA?

Chairman: Yes, that's-----

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Mr. Sean Mulryan: No, I don't have the consent, but I don't need it. I'd just like to put it on the record because there was-----

Chairman: Okay, what I-----

Deputy Joe Higgins: What is the purpose of-----

Chairman: Usually by a closing statement, somebody is making closing remarks. Mr. Mulryan, we may end up in a situation, if you make this closing statement extending this session, because you may put questions out on this floor as well. A statement is one thing where somebody makes a closing remark ... it is somebody making ... putting further evidence in there, that must be tested.

Mr. Sean Mulryan: Well, if you, Chairman if you feel it's ... we'll just leave it.

Chairman: Okay, thank you.

Deputy Michael McGrath: Chairman, if it's a significant story, we should hear what the man has to say-----

Chairman: Okay-----

Deputy Michael McGrath: -----I believe-----

Chairman: Well, listen. If members wish ... if members wish ... just give me two seconds. What I am going to propose is that we adjourn for five or ten minutes, sufficient time to allow our legal people to see what Mr. Mulryan wishes to say and if wishes to say it with legal approval, we will go there. So I'm now proposing that we adjourn.

Deputy Joe Higgins: It might be that the members can then ask questions in relation to the statement that is made?

Chairman: What will happen here, Deputy Higgins, is our legal people and maybe Mr. Mulryan has legal people with him here today - I'm not too sure - but there will be an engagement with Mr. Mulryan, and before we go back into public session with Mr. Mulryan, our legal people will discuss with us as well as to the context and the flow of this. I'm sure everybody doesn't want five minutes of questioning with Mr. Mulryan at the end of this. There might be two or three issues that might need to be related, and on that basis, what I would do then is I would refer, if it's one question or so, to the Chair, and it's going to be more than that to revert back to the leads. Is that agreed? Agreed. I'm proposing for a very short break, five minutes this might only take. If it's required any longer, the legal people will inform us of same. Is that agreed? Agreed.

Mr. Sean Mulryan: Great. Thank you.

The joint committee went into private session at 7.06 p.m. and resumed in public session at 7.19 p.m.

Chairman: So if I can just propose we go back into public session. Is that agreed? Agreed. Okay.

And this is to formally and in public session to conclude our session of today with Mr. Mulryan, and in doing so, to thank Mr. Mulryan for his participation today with ... and his engagement with the inquiry. And to now formally excuse the witness and to suspend the meet-

ing, proposing to suspend it for 30 minutes. People just might want to get a cup of coffee or a sandwich or something like that, okay. We'll say 7.45 p.m., if possible, okay. Thank you.

Sitting suspended at 7.19 p.m. and resumed at 7.45 p.m.

O'Flynn Construction Group - Mr. Michael O'Flynn

Chairman: I now propose we return back to public session. Is that agreed? And in returning to public session, this is our fourth session of today, the Committee of Inquiry into the Banking Crisis is now resuming in public session. Can I ask members and those in the public Gallery to ensure that their mobile devices are switched off.

At our next session we will hear from Mr. Michael O'Flynn, founder, O'Flynn Construction Group. This is one of several sessions in which the inquiry will focus on relationships between property development companies and their principal financial institutions. Mr. Michael O'Flynn founded O'Flynn Construction in 1978. The O'Flynn Group operates a number of businesses in Ireland, the UK and mainland Europe. The group's activities cover property investment, development, construction and the provision of student accommodation. The group, as well as its personal borrowings, have now exited from NAMA. Mr. Flynn, you're very welcome before the committee this evening.

Before hearing from the witness, I wish to advise the witness that by virtue of section 17(2) (l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect to their evidence to this committee. If you are directed by the Chairman to cease giving evidence in relation to a particular matter and you continue to do so, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that the only evidence connected with the subject matter of these proceedings is to be given. I would remind members and those present that there are currently criminal proceedings ongoing and further criminal proceedings are scheduled during the lifetime of this inquiry which overlap with the subject matter of the inquiry. Therefore, the utmost caution should be taken not to prejudice those proceedings. Members of the public are reminded that photography is prohibited in the committee room. To assist the smooth running of the inquiry, we will display certain documents on the screens here in the committee room. For those sitting in the Gallery, these documents will be displayed on the screens to your left and right. Members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed.

The witness has been directed to attend this meeting of the Joint Committee of Inquiry into the Banking Crisis. You have submitted a witness statement. This is before the committee, will be relied upon in questioning and form part of the evidence of the inquiry.

I now ask that the clerk will administer the oath to Mr. O'Flynn, please.

The following witness was sworn in by the Clerk to the Committee:

Mr. Michael O'Flynn, O'Flynn Construction Group.

Chairman: Thank you very much, Mr. O'Flynn, and, once again, thank you for your co-operation with the committee this evening and if I can invite you to make your opening remarks, please.

Mr. Michael O'Flynn: Thank you, Chairman. Good evening all and thank you for the