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Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

Peter Cosgrave

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- "(a) with the prior consent in writing of the committee,
- (b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or
- (c) to his or her legal practitioner."¹

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

¹ See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013

**STATEMENT IN WRITING OF PETER COSGRAVE PROVIDED TO THE
JOINT COMMITTEE OF ENQUIRY INTO THE BANKING CRISIS**

Pursuant to s.67(1)(d) of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013, I have been directed by the Joint Committee of Inquiry into the Banking Crisis to make a statement in writing of the points outlined in Document 1 attached to the Direction which was issued to me. I am happy to make such a statement, and accordingly, I state in relation to the matters as set out in that Document 1 as follows:-

I, together with my brothers Joseph Cosgrave and Michael Cosgrave, trade under the title of the ‘Cosgrave Property Group’. This is not a corporate entity but a partnership. In the arrangement of our affairs, we have several companies which would have purchased land or undertaken development. In providing this statement it is assumed that the reference in Document 1 to “your company” is a reference to such group entity and references hereafter to “company” shall be construed accordingly. For ease, such groups are hereafter referred to as “CPG”.

Part 1: Overview of relationship between my company and banks

1. Description and assessment of the processes with the principal financial institution by which your loan application was typically handled

Prior to the establishment of NAMA, the principal financial institution which CPG dealt with was Allied Irish Banks plc, which held most of the CPG trading and personal accounts. CPG also had borrowings from time to time during the period from 2001 to 2008 from Bank of Ireland, Ulster Bank Ireland Limited, EBS Building Society, TSB, Morgan Stanley, KBC Bank and Anglo Irish Bank. Typically any loan application or application for funding was dealt with by the relationship manager in Bankcentre (or the relevant bank) and always involved meeting with them and submitting business plans, cash flows and forecasts. CPG staff would produce written cash flows which would then be analysed within the bank and queries raised with, and responded to by, CPG.

2. Description and assessment of the processes within CPG typically supporting a loan application

Prior to applying for any loan CPG would always have considered the feasibility, and cost of any proposed acquisition or project and would have run cash flow and valuation analysis. CPG staff would produce written cash flows taking into account market conditions and performance of other assets in the sector. Discussions would be had with, and advices taken from, appropriate valuers in every case prior to commitment to any purchase, or loan application.

3. Description and assessment of the processes with which the financial institution typically monitored a loan

Where lending was provided for investment acquisition, the banks would monitor repayments being made and where funding was provided for working capital purposes or for the acquisition of trading stock, there would be ongoing updates provided to advise the bank of projected cash flows and the business generally. These updates would be provided on request and in writing or at meetings where detailed cash flows statements would be considered.

4. Description and assessment of the governance arrangements in place between CPG and the principal financial institution for exercising oversight

The relationship manager within AIB or a member of his team would keep in constant contact with CPG as part of the ongoing relationship. All working capital facilities were demand in nature and accordingly subject to discussion and review on at least an annual basis. Bi-annual visits to CPG offices were undertaken by AIB from 2007 onwards. During, through or prior to these visits the bank would have sought and been provided with CPG commentary or verbal view on valuation details which presumably were then used to facilitate covenant checks being undertaken within the financial institution.

5. Description and assessment of the business model supporting the expansion of CPG in the years leading up to the banking crisis

CPG was involved in all aspects of property acquisition and development in Ireland and the UK and its expansion was natural and driven largely by market forces as well as internal cost management.

There were three distinct sections of activity for CPG namely:-

- (i) Development of commercial investment property.
- (ii) Development of residential investment property.
- (iii) Development of residential property for sale.

As values increased and opportunities were presented, CPG pursued maximising growth and reward from same.

6. Description and assessment of how multi bank lending in respect of CPG was managed

CPG had a loan with Ulster Bank Ireland Limited which was secured on commercial assets in Ireland and the UK. This was syndicated by Ulster Bank to a series of banks (10 in total) but CPG contact was always with the appointed security trustee/agent, which during the period concerning the Committee would have been Ulster Bank Ireland Limited.

Also, AIB and Bank of Ireland were joint lenders on a combined loan secured on CPG's development land holding in Ireland. This loan was managed by AIB as lead bank and acting security agent. There were however regular enquiries in relation to the performance of the loan and its underlying property security from both AIB and Bank of Ireland directly and these were responded to by CPG as they arose.

Part 2: CPG – its performance and modus operandi

1) Profile of business, specifying nature of property segment, turnover and scale of activity (2001-2008)

The following table shows a summary of such profile:-

INCOME	2001	2002	2003	2004	2005	2006	2007	2008
Residential rents	€2,286,222	€3,687,134	€3,790,059	€3,923,227	€4,036,509	€4,272,533	€4,714,457	€8,555,679
Land development – residential	€23,088,578	€66,729,416	€83,009,396	€36,057,496	€71,532,056	€302,775,039	€196,140,656	€97,700,894
Land development – commercial			€63,875,173	€128,706	€1,400,000	€13,832,100	€52,508,795	€160,034,931
Commercial rents - Euro	€7,951,500	€11,300,918	€17,307,446	€20,155,595	€22,643,866	€24,580,875	€30,315,651	€35,193,057
Commercial rents - Sterling	-	-	-	-	-	£4,677,060	£ 16,699,100	£ 28,236,524

CPG was involved during the relevant period in the sale and letting of residential and commercial units, and the purchase in the UK of commercial investment property. Land was acquired for the purpose of constructing either residential units for sale or residential units or commercial units for letting. There would have been no sale of commercial properties during the period of enquiry.

2) Outline the Board/Company structure, including skills of directors, management structures, risk assessment and business planning

CPG is owned and controlled by Joseph Cosgrave, Peter Cosgrave and Michael Cosgrave, all of whom being engaged in the enterprise since its establishment in 1979. Support teams comprising of qualified surveyors and accountants were retained on staff in CPG offices for the purpose of assisting in risk assessment and business planning.

3) **Outline of total outstanding debt by property size (unzoned land, zoned land, residential, commercial, specifying type) by financial institution on 30/9/2008**

A review of our facility letters suggests that it is not possible to allocate debt precisely against different property types in the manner requested. However, we have analysed the debt, and property types and the following is our analysis of how it could fairly allocated:-

FINANCIAL INSTITUTION	TOTAL DEBT	UNZONED	ZONED			RESIDENTIAL		COMMERCIAL	
			Mixed use	Residential	Office	Apartments	Houses	Office	Retail
AIB	€687,532,547	€25,553,800	€26,178,998	€356,752,275	€33,232,000	€78,746,727	€10,386,904	€24,823,424	€131,858,419
BOI	€280,888,605	€12,586,200	€12,896,095	€126,748,511	€16,368,000	€524,198	€138,776	€31,589,742	€80,037,084
EBS	€62,156,724					€25,797,982	€3,013,724		€33,345,018
UBIL	€563,512,173							€92,652,028	€470,860,146
ING	€99,863,584							€19,826,501	€80,037,084
CO-OP	€146,029,734							€28,992,136	€117,037,598
ACC	€68,760,281							€13,651,380	€55,108,901
IL&P	€50,646,888							€10,055,220	€40,591,668
ANGLO	€67,873,718								€67,873,718
	€2,027,264,255	€38,140,000	€39,075,093	€483,500,785	€49,600,000	€105,068,906	€13,539,405	€221,590,430	€1,076,749,636

I would like to point out that the unzoned land is intended to be used for amenity purposes only and is therefore likely to remain unzoned; it was never intended to develop any of it beyond for amenity purposes supporting adjoining lands.

4) **Profile of total outstanding debt by geographic area including Republic of Ireland, Northern Ireland, UK and Poland or other on 30/9/2008**

The following table shows such profile:-

GEOGRAPHICAL AREA	DEBT
Ireland	€1,182,934,660
UK	€844,329,595
	€2,027,264,255

5) Detail collateral by type and value for all outstanding debt on 30/9/2008

All security given would have been of property type, with the properties held in the personal names of Joseph, Peter & Michael Cosgrave securing the debt arising on the acquisition (or refinance of the debt arising on acquisition) of each, and cross secured to provide collateral for the borrowings of the CPG corporates.

Security given would have been of a property type, with the properties held in the names of the CPG corporates securing the debt arising on the acquisition (or refinance of the debt arising on acquisition) of each, and cross secured to provide collateral for the other borrowings of the CPG corporates.

AIB had a charge on units held in a Qualifying Investment Fund, and Ulster Bank had a charge on the units in the Luxembourg company which was the owner of some of the UK investment property.

Both AIB and Ulster Bank also held personal guarantees from Joseph, Peter & Michael Cosgrave, and some of the banks would also have had limited recourse guarantees and mortgages from my wife, Oonagh Cosgrave, as she was a co-owner with me of certain residential investment properties.

6) Detail the valuation methods and firms used to determine market value of land and property in your portfolio (2001-2008)

All valuations were red book valuations.

During the period 2001-2008 CPG would have instructed DTZ Sherry Fitzgerald, Hooke & MacDonald, Jones Lang LaSalle, Lisney, CBRE, Lambert Smith Hampton and Knight Frank on various property valuations depending on the property location and type.

7.1 Detail cost apportionment of different house types, outlining the cost of land, cost of servicing land, construction costs, finance costs and profits on sale (2001-2008)

Given the nature of the CPG business this is not information of a nature which is readily extracted, or evident from our records.

The economics of every development undertaken would have differed.

7.2 How did the above cost apportionment develop for subsequent phases of development on the same site

See comment at 7.1 above. I would say that differences in costs and apportionments would have arisen only through fluctuations in market conditions.

8) Detail the nature of the due diligence carried out by the financial institutions on loans acquired (2001-2008)

Whilst I would not be aware of the nature or extent of any due diligence carried out by any financial institution, I do recall financial statements for CPG being sent in to AIB Bank on occasion and presume these were reviewed and considered by that bank.

9) Detail the collateral required by financial institutions by type of loan (2001-2008)

All loans advanced by the financial institutions were secured on property as well as set out in paragraph 5 above.

10) Outline the extent of equity and interest roll up provided (2001-2008)

Some working capital facilities would have had interest rolled up and accrued to be paid off on sales of trading stock. In other instances full interest was discharged as it arose.

11) Details of corporate hospitality provided to the senior management team by financial institutions (2001-2008)

As was usual at the time, corporate hospitality to senior management of CPG was provided by several of the banks during the period in question. Whilst impossible to provide an exhaustive list of such hospitality, senior management would have been invited to/attended as follows:

- Golf days with the Bank's Relationship Managers in UK, France and USA - (Ulster Bank, AIB, EBS & BOI)
- Irish and British Open – (Ulster Bank)
- The Masters – (Ulster Bank, AIB)
- Social events – (BOI, Ulster Bank, AIB)
- Opera/Theatre – (Ulster Bank)
- Horseracing events at Punchestown/Leopardstown – (AIB, EBS)
- Prix de l'Arc de Triomphe – (BOI)
- One-off ski trip – (Ulster Bank)
- Annual lunches with the Bank's Relationship team – (Ulster Bank, AIB)
- Ryder Cup, USA – (AIB)
- Monaco Grand Prix - (AIB)

12) Detail contributions, if any, made to public representatives or political parties (2001-2008)

It is difficult to provide exhaustive detail under this heading. There would certainly have been contributions made in the normal course to politicians fund raising efforts. Aside from any personal contributions (which would not have been substantial and would could not all be recollectd), CPG made the following contributions to the following:-

PARTY	2005	2006	2007	2008
Fianna Fáil	€1,630	€4,500	€5,500	€4,360
Fianna Gael			€5,000	€1,000
Progressive Democrats			€5,000	
SDLP			€1,000	
Sponsorships			€12,824	
<i>Barry Andrews</i>			€630	
<i>Fianna Fail</i>			€2,630	
<i>Ivor Callely</i>			€600	
<i>John Bailey</i>			€2,500	
<i>Larry Butler</i>			€630	
<i>Michael Mulcahy</i>			€834	
<i>Brian Cowen Golf Classic</i>			€1,000	
<i>John Lahart</i>			€500	
<i>Seamus Brennan</i>			€500	
<i>Tom Kitt</i>			€1,500	
<i>Fine Gael</i>			€1,000	
<i>Michael McDowell</i>			€500	

The following table details personal contributions which were made and can be recollected, although again it being difficult to be confident that this is an exhaustive list:-

PARTY	2006	2007	2008
Fianna Fáil		€5,000	
Fianna Gael			€1,000
Sponsorships	€175	€630	€2,750
<i>Joe Costello</i>	€175		
<i>Michael Mulcahy</i>		€630	
<i>Labour Party</i>			€250
<i>Fianna Fáil</i>			€2,500

13) Details of lobbying on property related matters including taxation by CPG specifying who was lobbied, the nature of the lobbying and the outcome of the lobbying (2001-2008)

During the period referred to, Cosgrave Property Group would have engaged on an informal basis with relevant local stakeholders and interested parties such as community groups, business associations, public representatives, planners and individuals. This would have been undertaken on an *ad hoc* basis, as issues arose, by sharing information and views on the nature of any proposed developments, matters concerning property development in general, and listening to concerns such parties might have had regarding same. CPG always made itself available to answer questions from, and engage with, any interested parties on any proposed developments.

14) Your views on the establishment, operation and effectiveness of NAMA

Since NAMA was established, it has enabled CPG to continue as an enterprise and has facilitated it recovering from the economic crisis.

11 June, 2015.

PETER COSGRAVE
(Sent by email and so without a signature)