

# HOUSES OF THE OIREACHTAS

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## AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉL- REACHTA

### JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

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*Déardaoin, 3 Meán Fómhair 2015*

*Thursday, 3 September 2015*

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The Committee met at 9.00 a.m.

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#### 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.

**Chairman:** Thank you. With that said, I'd like to thank you for your participation with the inquiry today and for your engagement with it. You're now formally excused. I propose that we suspend for just about an hour and to return at 2.30 p.m., if that's agreed. Is that agreed? Agreed.

*Sitting suspended at 1.25 p.m. and resumed in private session at 2.37 p.m. The joint committee resumed in public session at 2.44 p.m.*

### **Anglo Irish Bank - Mr. Matt Moran**

**Chairman:** We will resume in public session. Is that agreed? Agreed. We'll now move on to session 3 of today's public hearings with Mr. Matt Moran, former finance director, Anglo Irish Bank. The 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 please switched off, particularly so given that there was complaints this morning with regard to interference. Today the focus of the inquiry is on Anglo Irish Bank. At this session we will hear from Mr. Matt Moran, former chief financial officer at Anglo Irish Bank. Mr. Matt Moran was chief financial officer at Anglo Irish Bank from 2004 to 2008 and finance director from 2009 until 2011. He is currently a partner in the corporate finance division of PwC Luxembourg. Mr. Moran, you are welcome before the committee this afternoon.

**Mr. Matt Moran:** Thank you, Chairman.

**Chairman:** 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're directed that only evidence connected with the subject matter of these proceedings is to be given. I would also 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. You have been furnished with booklets of core documents. These are before the committee, 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. Moran please.

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

Mr. Mr. Matt Moran, former Chief Financial Officer, Anglo Irish Bank.

**Chairman:** Once again, welcome, Mr. Moran, and if I can invite you to make your opening comments or remarks to the committee please.

**Mr. Matt Moran:** Thank you, Chairman. Chairman, members of the committee, since the beginning of 2009 I have co-operated with all the various lines of inquiry and investigations by State and other bodies and I welcome the opportunity to come before you this afternoon. In addition to the detailed written submission which I furnished to the committee in early August 2015, I come here today before you to further assist the committee - as best I can - in the crucial work you are undertaking.

The failure of Anglo Irish Bank and the wider banking system in Ireland was a calamity for the Irish economy and for the many people associated with the banks, including staff, customers, investors and the Irish taxpayers. Whilst I never served as a member of the board of directors of the bank or as an executive director, I was within the next layers of management, both before its nationalisation and afterwards. Following nationalisation by the Minister for Finance in January 2009, the new Government-appointed board selected and appointed me as director of group finance. I will endeavour to give the committee as clear a picture as I can of the circumstances of which I have knowledge surrounding the failure of the bank.

I joined the bank in late 2002. Prior to that, on completion of my university studies, I spent some eight years as a financial consultant in London and New York, primarily in supporting small and medium-sized enterprises. I had no lending experience and my role in Anglo was not on the lending side. My brief was to support the group finance director, as required, and I carried out a variety of projects in this regard. My expertise was in corporate finance activities such as mergers and acquisitions, equity raising, financial analysis, as well as special financial assignments. Among the projects that I managed or had significant involvement in were: major share placings, raising almost €1 billion in new equity capital for the bank; liaison with international investment analysts that were conducting independent analysis on the business; assessing acquisition opportunities; and completing the disposal of the bank's private banking business in Austria and also in Switzerland. Within group finance, I was involved in restructuring management accounts reporting ... to enhance reporting standards, recruiting specialist accounting skills in each area of the Dublin-based finance team, overseeing the introduction of international financial reporting standards for the bank's accounts and in assisting the leadership of the treasury trading business to devise strategy and business plans.

In late 2004, I was given the title, chief financial officer, to assist my profile in representing the bank without any change of my role. My investor relations function meant externally I became more widely known as an executive of the bank. My work in these and other areas reflected well on the bank internationally and increased my standing internally. I also had responsibility for managing the group finance Dublin function. This function included the preparation of monthly management accounts, the preparation of regulatory returns on the direction of the group finance director, and liaising with the auditors on the conduct of the audit of the Irish operation of the bank and group consolidation. During this period, the quality of the bank's internal and regulatory reporting were greatly improved.

Events since the banking crisis have shown that the risk position of the bank and that of all other financial institutions in Ireland deteriorated to an event ... to an extent not foreseen at that time. The same happened across Europe and elsewhere. There are well-documented external and internal reasons for this. The external reasons have already been aired before the committee. I don't propose to dwell on these, except to underline that they made life impossible for many financial and regulatory institutions, with fault lines being exposed across a wide

spectrum. There was little or no perception by forecasters or authorities of the severity of what lay ahead. In addition, the bank had a distinctive external pressure arising through the Quinn investment and leveraged contracts for difference that were held through a multitude of investment banking and other broker counterparties internationally.

There were also significant internal issues within the bank, some of which are indicated in the core documents circulated by the committee in recent weeks. These support the view outlined in my written submission to the committee that the lending function was excessively dominant in the bank and that the risk function controls were, ultimately, insufficient. This is best captured in the decision to consolidate the leadership of the risk and finance functions under the group finance director in 2007 and the management reorganisation of the same year. That reorganisation saw the senior executive board narrowed to just five people, including four lenders and one non-lender. It was apparent from these and other events that the value attached to independent views had diminished.

Group finance Dublin did not have responsibility for lending by the bank. Group finance Dublin did not have any responsibility in group risk management, which was the key control function in the conduct of the bank's lending business. At all times since the late 1990s, risk and finance teams were entirely segregated with distinct areas of responsibility. This continued to be the case even after the aforementioned change to leadership.

Management accounting and audit relied on the integrity of the data inputted by the lending divisions, regional operations and other departments in the bank. This data was adjusted to account for impairments and provisions set out in a monthly report prepared independently by the risk management department based on its detailed assessment of loan risk. As in almost all banking institutions, the interrogation and scrutiny of lending data and underlying risk was the responsibility of risk management. Inadequate controls in this area was one of the factors in the subsequent difficulties that faced the bank.

From the second half of 2007, throughout the year 2008 and into 2009 the bank was in constant spasms of crisis. Strenuous efforts were made to determine the extent of the bank's downside exposure to the ensuing financial turmoil, both within and outside of the bank. My role throughout this time was primarily looking at capital opportunities for the bank in international capital markets. The incessant downward spiral in each of the economies in which the bank lent money, but most particularly in Ireland, exacerbated the scale of losses in each half year. None of these reviews by multiple parties from within and outside of the bank identified the scale of the potential losses. In addition, none of them, from what is known to me, found defects in financial reporting in respect of lending impairment.

Internal audit within the bank, which reported directly to the board audit committee and the chief executive, would have conducted its own reviews on processes and procedures. The factors contributing to the failure of the bank were multifaceted and complex. There were many actions, decisions, events and circumstances surrounding this and all viewed through a different lens than the one we use today.

I would like to conclude by expressing my own sincere and deep regret for the great hardship that the failure of the bank and the wider banking system in general inflicted on so many. Chairman, notwithstanding the constraints placed upon me, which the committee is aware, and the fact that I have not had access to potentially relevant materials pertaining to the bank from 2002 through to 2008 and thereafter, I will now endeavour to answer any questions you and other members of the committee have and seek to help you in relation to your lines of inquiry.

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

**Chairman:** Thank you very much, Mr. Moran, for your opening statement and if I can invite Deputy Eoghan Murphy to commence questioning. Deputy, you have 20 minutes.

**Deputy Eoghan Murphy:** Thank you, Chairman. Thank you, Mr. Moran. You're very welcome. I want to begin with the crisis period beginning in '07. At the beginning of '07, a stockbroker in Davy's begins advising against the purchase of Anglo shares because he believes them to be overvalued. What was your reaction when you heard that news?

**Mr. Matt Moran:** I don't recollect, Deputy, the precise timing or who that stockbroker was but if you look back from 2005-06, the bank's stock had re-rated. So, it used to trade at a discount to the market and, in 2007, had risen to a premium to the market and with that change, with that increase in value over time, a number of brokers then, at that stage in 2007 or 2008, but especially in 2007, changed their recommendation from a "buy" or a "strong buy" to a "hold" or a "sell".

**Deputy Eoghan Murphy:** Your reaction to stockbrokers who were claiming that the stock was overvalued by two thirds and were recommending a "hold" or a "sell". Do you remember any particular reaction yourself or in the bank?

**Mr. Matt Moran:** In 2007, Deputy, and the stock being overvalued by two thirds, I don't have direct recollection of-----

**Deputy Eoghan Murphy:** Have you read Simon Carswell's book on Anglo Irish Bank?

**Mr. Matt Moran:** No, I have skimmed through it but I haven't read the book.

**Deputy Eoghan Murphy:** Well, do you mind if I quote a couple of things from that book to you?

**Mr. Matt Moran:** Sure, certainly.

**Deputy Eoghan Murphy:** There was a meeting of investors in Anglo's boardroom in September 2007 - something you did regularly, you brought people in - and a stockbroker from Davy's was there who had been advising against purchasing Anglo's shares because he felt that the falling property market and rising cost of borrowing would be a problem for the bank. And it's alleged, or it's written in the book, that you escorted that person out of the meeting and had harsh words with them. Do you recollect that?

**Mr. Matt Moran:** I do recollect the instance of the meeting and, if I stand back looking at the time, Davy's were stockbroker to the bank and that means their analysts covered the bank. All of their other stockbrokers were allowed to take their view in respect of the bank and they could express their own view if they wanted or as they saw fit.

**Deputy Eoghan Murphy:** Were you a shareholder in the bank?

**Mr. Matt Moran:** Yes.

**Deputy Eoghan Murphy:** Do you think that your position as a shareholder clouded your judgment in some way when it came to these types of issues?

**Mr. Matt Moran:** I don't think so at all.

**Deputy Eoghan Murphy:** You don't think so. Okay. So you don't accept the finding of the Nyberg report that this may have coloured the judgment of executives at a time of high

growth for the bank.

**Mr. Matt Moran:** I can only talk from my own perspective, Deputy, that shareholdings never coloured my view in respect of the bank. I had joined the bank, I had worked in the bank over a period of five years at the time and was long term in the bank for my future. That's how I saw the future of my career.

**Deputy Eoghan Murphy:** Okay. So the financial investment that you also had, you don't feel that it conflicted your ability to have a more sound judgment or an objective judgment when it came to things like what shareholders were saying ... or stockbrokers - excuse me - were saying about the value of the bank and its condition.

**Mr. Matt Moran:** I don't believe that at all, that it clouded view. Like, my shareholding has cost me very significantly and, well, my shareholding never clouded my view. What was important was to have open dialogue with investors and with brokers and, I think, that the bank engaged in fulsomely.

**Deputy Eoghan Murphy:** Okay. We heard earlier from another witness that ... three key events, basically, in the crisis for Anglo and the first was the run on Northern Rock, which also happened in the same month as that meeting that you had with potential investors. Would you agree that the Northern Rock run was the first ... was the beginning of the crisis for Anglo?

**Mr. Matt Moran:** No, Deputy, I would go a little bit earlier. I would go back to the time when a fund from a large French bank was ... it was noted into the market that they were no longer going to permit cash calls on the fund. And I think that was the start of the liquidity crisis or the first signal that became available in the market and that was around August-----

**Deputy Eoghan Murphy:** Around August, okay.

**Mr. Matt Moran:** -----and then subsequent to that we saw a number of banks, very large global banks, do deals in the market where they took relatively short-term funding at quite high cost.

**Deputy Eoghan Murphy:** Okay.

**Mr. Matt Moran:** I think the first public instance - you are right to refer to - is Northern Rock because, you know, a run on a bank in a neighbouring economy was clearly a huge issue for the Irish banking system and Europe in general.

**Deputy Eoghan Murphy:** Okay. If we move forward then towards the end of the year ... and in December of '07 Anglo develops a policy document for ... "Stress Testing & Scenario Analysis Funding Liquidity Risk". It is in the evidence book, Vol. 2, page 37, which you would've seen. We don't have to go into the book actually - it's not that important - but it included details for stress parameters for six different scenarios and their impact on the banks' funding and liquidity positions. Was the Financial Regulator aware that you were doing that work internally at the time?

**Mr. Matt Moran:** I don't know precisely if the regulator was aware but this followed the introduction of a new liquidity regime for the Irish banks that was introduced by the regulator and I'm not sure if this was communicated by risk to the regulator.

**Deputy Eoghan Murphy:** Okay, and were you involved in this ... in this document at all, in putting it together?

**Mr. Matt Moran:** I might have had limited involvement. I certainly would have seen the document. I don't think I was involved in putting it together or outlining the stress tests.

**Deputy Eoghan Murphy:** Okay, I mean, would senior management at the bank at the time have been aware of the domestic standing group, which was the members of the Central Bank, regulator and the Department of Finance who were working on similar stress test scenarios - but for the banking system as a whole - at this same point in time?

**Mr. Matt Moran:** I don't know if members of the board were or executives were. I wasn't, Deputy.

**Deputy Eoghan Murphy:** Okay. And then, so, in terms of any relationship between the work the bank was doing internally to test its own self and how it might get through or manage a crisis, there was no relationship between that work being done and the work being done by the Government, which at the time was modelling - in a simulation - the possibility of an Irish bank failing and what impact that might have on the rest of the system.

**Mr. Matt Moran:** Unless indirectly, Deputy, through interactions with the regulator that this was communicated, I personally just wasn't aware of the domestic standing group that you mentioned.

**Deputy Eoghan Murphy:** Okay. So, given that these ... that group risk had done this policy report and undertaken stress testing on a monthly basis, why ... in your opinion, why did the bank not react sooner then, when it came to the - and more robustly, I suppose - to the liquidity problem prior to September 2008? Why, when you are doing this at the end of 2007 and, as you say, the crisis has begun since August, why, when it comes to September, do you find yourself, having miscalculated the risk actually and the problems that you are going to face-----

**Mr. Matt Moran:** Well, I think from the onset of the crisis, Deputy, in August-September, there was an enormous level of work undertaken in the bank to protect liquidity and it's a very difficult balancing act that a bank undertakes because any show or sign of weakness can cause, actually, the weakness to feed off itself and result in an issue. So the bank worked very significantly to manage liquidity in the period. There were a number of issues, I think, which are worth highlighting. Firstly, the bank was a monoline bank and businesses that are focused, niche players tend to do very well in strong economic environments. Businesses that are focused, niche players, on the other hand, tend to do less well when economies are hit. Now, I don't think anybody foresaw the scale of crisis that was going to come but that was a factor that the bank had to handle.

Secondly, the bank was single-A rated and, over time, it became *de facto* necessary to have a double-A rating to play in the markets. Thirdly, we had a very particular issue in respect of the CFD holding in the bank and that manifested itself and became known to me towards the end of 200. But I think the fact that that position was held by so many international counterparties, the market became aware of that and that undoubtedly, in my view, had an impact on liquidity within the bank.

**Deputy Eoghan Murphy:** Were you involved with any of the attempts to get the NTMA to place deposits with the bank?

**Mr. Matt Moran:** No, I don't believe so.

**Deputy Eoghan Murphy:** Okay, and did you have a view at the time as to why the NTMA

was not placing money with Anglo?

**Mr. Matt Moran:** I had little or no contact ever with the NTMA until after the crisis.

**Deputy Eoghan Murphy:** But you weren't involved in discussions with senior management about what was happening with the NTMA or attempts to get deposits from them, or sources of funding.

**Mr. Matt Moran:** I was aware, in the background, that there was an effort by the bank to seek funding from all sources. I didn't have any direct involvement with the NTMA.

**Deputy Eoghan Murphy:** Okay. What do you know about the green jersey agenda that was undertaken in March '08 by the Financial Regulator and the Central Bank Governor?

**Mr. Matt Moran:** I've heard that term used. I don't know if I can say anything more than that about it, Deputy.

**Deputy Eoghan Murphy:** Okay. Well, I mean, we've discussed it with the Governor and we've discussed it with the other banks as well ... that they did approach Anglo and the head of treasury, John Bowe, was tasked with this project between the banks. Is that correct?

**Mr. Matt Moran:** Well, what I recollect, Deputy, is contact between the chief executive of the bank, David Drumm, and the Governor and I recollect David Drumm, post that meeting, giving an instruction to John Bowe to come up with a plan on how the banks help each other.

**Deputy Eoghan Murphy:** Okay. And you were involved with that plan.

**Mr. Matt Moran:** I wasn't involved in that plan but I recollect it being ... I recollect something of that nature being highlighted by the chief executive in an e-mail post his meeting.

**Deputy Eoghan Murphy:** Okay, I'll move on from that then. In the same month, you were part of a delegation that travelled to the Middle East to look for new sources of funding for the bank.

**Mr. Matt Moran:** That's correct.

**Deputy Eoghan Murphy:** Okay. Can you tell me a bit about-----

**Mr. Matt Moran:** New sources of capital rather than funding.

**Deputy Eoghan Murphy:** Capital. Can you tell me a bit about that?

**Mr. Matt Moran:** So in March 2008, Morgan Stanley arranged a meeting with private equity providers or sovereign wealth funds in the region in order to source potential capital for the bank and, in particular, it related to the CFD investment.

**Deputy Eoghan Murphy:** Okay, and did the regulator know that you were making that move in the Middle East?

**Mr. Matt Moran:** Yes.

**Deputy Eoghan Murphy:** Okay, and was it successful?

**Mr. Matt Moran:** Ultimately, it wasn't successful. So a number of banks from around the world had approached the region, but the banks that ended up raising capital were very much



the global brands or internationally recognised players.

**Deputy Eoghan Murphy:** Okay. At what point or were you involved at all in any conversations about a guarantee for the bank, either a political one or a legal one? We had in evidence from Kevin Cardiff that Seán FitzPatrick had raised a form of guarantee with John Hurley at the end of April 2008.

**Mr. Matt Moran:** I had no involvement, Deputy.

**Deputy Eoghan Murphy:** You had no involvement in the discussion?

**Mr. Matt Moran:** I wasn't aware of the guarantee until the morning it was announced.

**Deputy Eoghan Murphy:** Okay. Coming to political contacts around the time of the guarantee, did you make any? Did you have any?

**Mr. Matt Moran:** I had two in particular.

**Deputy Eoghan Murphy:** Okay, yes.

**Mr. Matt Moran:** Actually, I think they've been aired before the committee. David Drumm asked me to make contact with the then Leader of the Opposition, Enda Kenny. I contacted Enda Kenny and arranged for him to meet with Willie McAteer and David Drumm, and he came to the office to meet with McAteer, Drumm and myself, together with Richard Bruton, and another person attended with them.

**Deputy Eoghan Murphy:** Okay. What was the purpose of that meeting?

**Mr. Matt Moran:** David Drumm gave the attendees a pack of information on the background to the bank and he took them through the business model of the bank and what the bank does.

**Deputy Eoghan Murphy:** Okay, and that was the extent of it?

**Mr. Matt Moran:** That was the extent of it.

**Deputy Eoghan Murphy:** And you said there was a second contact?

**Mr. Matt Moran:** The second contact was Beverley Cooper-Flynn, who at the time told me - both of these people are from Castlebar, where I'm from myself - and she told me at the time that she was involved in a grouping looking at issues around the crisis. And a key message she passed to me was that if the bank was going to raise capital in the future, that the only way that Government would look at capital was if the bank could raise private capital as well.

**Deputy Eoghan Murphy:** Okay. I'm curious, these are the only two political contacts that you are aware of the bank making in the crisis period in September, is that correct?

**Mr. Matt Moran:** They're the only contacts ... I think the question you asked me was what contacts did I have.

**Deputy Eoghan Murphy:** Okay, I beg your pardon. But, I mean, were you wondering why you were having political contacts not with the Government but with the Opposition, for example?

**Mr. Matt Moran:** The contact with the Opposition pertained to just the general noise in the

markets that public representatives were making.

**Deputy Eoghan Murphy:** Okay.

**Mr. Matt Moran:** And I think in the past, from my knowledge, Anglo had little or no political contact. So in the end, it found itself in a position where it had to start from scratch to make some engagements, from what I knew.

**Deputy Eoghan Murphy:** Okay. I'm limited for time so perhaps some of my colleagues can continue.

**Chairman:** You have five minutes left, Deputy.

**Deputy Eoghan Murphy:** Thank you, Chair. Moving back then before the crisis period, in terms of the interaction with the Financial Regulator, there was an inspection of commercial property lending activities at Anglo by the regulator in May 2007, which identified 30 separate issues which required to be addressed. And you would have seen it in the evidence book that's given to you. Were you made aware of that report when it was produced? It's on page 67 of Vol. 1.

**Mr. Matt Moran:** Thank you, Deputy.

**Chairman:** It's a Financial Regulator document, so it won't be displayed.

**Deputy Eoghan Murphy:** Oh, sorry.

**Mr. Matt Moran:** I have the document. Thank you, Deputy.

**Deputy Eoghan Murphy:** Did you see that document when it was produced at the time with the list of 30 separate issues?

**Mr. Matt Moran:** I don't recollect, Deputy. This was addressed to the chief executive. It was cc'd to the head of compliance and it related to lending matters.

**Deputy Eoghan Murphy:** Okay, but we heard earlier in evidence that documents like these were not shown to the board - documentation from the Financial Regulator. Would you have been aware of that when you were in the bank?

**Mr. Matt Moran:** I had no ... I would have no awareness of that. I never sat on the board. So I would just have no awareness whether it was or whether it was not shown.

**Deputy Eoghan Murphy:** Okay. So when you got this document then in your evidence booklet, the fact that the regulator would have written to the bank in 2007 with 30 different issues related to commercial property lending was absolutely news to you, surprised by the details.

**Mr. Matt Moran:** Yes, like, and I've read it subsequently, so I can comment in hindsight, or in retrospect. So, you know, I've seen the letter but it's all relating to lending matters, some suggestions, some areas of control weakness, some proposed changes. I don't know if there was a response, Deputy, to the letter-----

**Deputy Eoghan Murphy:** There was a response and I wanted to ask you actually about the response, but you weren't involved in formulating it.

**Mr. Matt Moran:** I don't recollect, Deputy.

**Deputy Eoghan Murphy:** Okay. Just on issue 21, which is there, and it was in relation ... 21. (ii), which is on page 70, it talked about the maximum internal property development exposure target being 20% of the loan book. But at March 2007, that exposure accounted for 25% of the loan book, but the response from the bank was that it had no concern with this, that the borrowers were proven clients with large-scale projects in UK and Ireland. None of that's familiar to you in terms of being involved in it?

**Mr. Matt Moran:** No, like, I assume that response was prepared to that point by risk or lending.

**Deputy Eoghan Murphy:** Okay, and were you involved then with the Financial Regulator's five by five big developer exposure inspection of the five banks and the five biggest exposures that happened in December 2007?

**Mr. Matt Moran:** I don't believe I was, Deputy. No.

**Deputy Eoghan Murphy:** Well, if you weren't involved then I'll move on. So coming back then to September 2008 and just before the guarantee, in fact, there's a presentation to the board entitled "Strategic Options" from David Drumm. He notes how the market sees Anglo as a monoline bank with a concentration risk in commercial property and he's proposing a merger with Irish Life and Permanent to create a more diversified business model. That's in Vol. 1, page 147, that report that he presented, the presentation that he gave. So were you aware of this at the time? Late September, you know, Anglo has the difficulties that it has, are you aware that this is being considered by management and the board?

**Mr. Matt Moran:** I was aware, Deputy, that this and a multitude of other options were being considered from more or less the early part of 2008 right through to now. And I think you mentioned ILP, I think that was considered then and certainly at least at one stage earlier.

**Deputy Eoghan Murphy:** Okay. But so, when the consideration came, I mean, what did that say to you as a senior person in the bank? Did it tell you ... did it say to you that the business had failed, that the approach that Anglo had taken in the market wasn't successful, that now it found itself in this position?

**Mr. Matt Moran:** Well, Deputy, markets changed dramatically beyond recognition. Banks globally and in Europe were under siege. The Irish banks suffered significantly and if you were a smaller bank, that was further amplified in terms of the pressure you felt in the market. So throughout 2008 there were numerous areas of strategic work to raise capital for the bank, to secure the bank's position, to try and diversify the bank, which was obviously one of the potential benefits from ILP. I had some involvement with the bank's advisers, Morgan Stanley, looking at various options. There were options considered with Rabobank becoming an investor. There were options being considered with a larger bank taking over the bank. So I would say a multitude of options were considered, including doing a rights issue to bolster capital in the bank. But most banks that had tried to do that during 2008, unless they were a global branded player, seemed to damage themselves in the market. So the market read, if you went to raise capital you had an issue and, therefore, doubly punished you.

**Chairman:** You're out of time, Deputy. Do you want to put a supplementary?

**Deputy Eoghan Murphy:** Thank you, Chair. At that point, and just immediately prior to

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the guarantee, did you believe that the bank was failing? And my second question is, I mean, was the bank beyond saving at that point?

**Mr. Matt Moran:** I think the bank had a very significant liquidity issue that worsened throughout 2008 and became most acute post the Lehman and Washington Mutual collapse and the various transactions that happened around then and the failure for TARP to be implemented. So, the bank had a liquidity issue. I thought at that time that the issues we had seen and the deterioration in the economy wouldn't be as bad so I really felt that liquidity, solving liquidity, would save the bank at that point in time.

**Chairman:** Thank you very much. Senator Sean Barrett. Senator, 20 minutes.

**Senator Sean D. Barrett:** Thank you very much, Chairman, and welcome to Mr. Moran.

**Mr. Matt Moran:** Thank you, Senator.

**Senator Sean D. Barrett:** I think in your evidence you were saying that the decision to combine the roles of the finance director and the chief risk officer, you felt, was wrong. I hope I picked that up correctly. Was that - in your presentation just now - was that a correct interpretation?

**Mr. Matt Moran:** Correct, Senator, and I objected at the time that it was done to both the CEO and the group finance director at the time and to one other executive director.

**Senator Sean D. Barrett:** And the reasons for your objections?

**Mr. Matt Moran:** I just think it's not right in a bank. Banks obviously are very different to other businesses but risk is a fundamental function of a bank and finance is a fundamental but different function to a bank.

**Senator Sean D. Barrett:** Thank you. Nyberg, on page 101 of Vol. 2, Mr. Chairman, he shares some of Mr. Moran's concerns here: "neither [the internal audit] nor the Audit Committee was in a position to challenge credit decisions per se, where the main problems [mainly] ultimately arose". So, would you agree with Nyberg on that point, that the internal audit was too weak?

**Mr. Matt Moran:** Sorry, Senator, if I just may read-----

**Senator Sean D. Barrett:** Page 101. I'm sure it will come up in time.

**Mr. Matt Moran:** Yes, thank you. What I think it's fair to say, Senator, is that the review of lending and lending risk rested with risk management rather than with internal audit. And I think that would be normally perceived as good practice, as long as you have internal audit that subsequently reviews that, so the lines of defence, you might have heard that terminology.

**Senator Sean D. Barrett:** Did you ever feel at the time or since that - you were raising the money, that's all, you said that, lending wasn't your province - did you ever feel like going to the lending people and say, you know, "This will come unstuck unless you guys get your act together. We're out working our socks off raising the money, we'd like a little bit of tightening up on the lending side", or were you in a silo?

**Mr. Matt Moran:** I wrote a memo, which is in the book of evidence, to the board in early 2007, I think, January 2007, where I refer to - that note by the way is from me and Willie McA-

ter, well I'm the author of that note – I refer in that note to the need to moderate the market's expectations from the banks, from a growth perspective.

**Senator Sean D. Barrett:** When the terminology in the bank, monoline bank as you say, to us that means sectoral concentration, which is one of the areas, as you know, where the red lights go on, and were you aware that the regulator was concerned about concentrating in one sector and concentrating on a very small number of borrowers? Was that not a risky strategy?

**Mr. Matt Moran:** The bank had a model that was to be very focused on the business it undertook and part of the management who had been with the bank for 15-20 years, part of its success and its mantra, was sticking to its strategy and to its focus and not seeking to diversify because diversification also brings with it other risk. The bank lent money to an individual, who in turn bought an asset and then had various cashflows below those assets and that was a source of diversification.

**Senator Sean D. Barrett:** But the Davy economist whom you discussed with Deputy Murphy, he thought your shares were two-thirds overvalued and in fact the eventual discount from NAMA was 61%, so he wasn't too far wrong. He was a good forecaster wasn't he?

**Mr. Matt Moran:** I don't know, with respect, if it is a Davy's economist or if it's a Davy's broker that's referred to.

**Senator Sean D. Barrett:** His name is mentioned.

**Mr. Matt Moran:** Yes. I don't think it's an economist with ... and brokers have their own views as individuals relative to their clients and, you know, they are not broking for the bank, they are broking for their investor clients.

**Senator Sean D. Barrett:** But you took grave exception to that, isn't that correct, to that stockbroker?

**Chairman:** Or did you?

**Mr. Matt Moran:** I didn't give a charred image.

**Senator Sean D. Barrett:** Or a round of applause or whatever? Did you have any contact with him after he wrote that report?

**Mr. Matt Moran:** I did.

**Senator Sean D. Barrett:** And you disapproved, I presume, strongly, isn't that right?

**Mr. Matt Moran:** I met him for a coffee afterwards, Senator. What's fundamental, and my point was very clear that, you know, if you have an issue share it with us, share it with the management of the bank. Don't have that come back to us through another source.

**Senator Sean D. Barrett:** And you had a similar cup of coffee with Morgan Kelly isn't that right?

**Mr. Matt Moran:** No, I had lunch with Morgan Kelly.

**Senator Sean D. Barrett:** And you didn't like his views either, is that right?

**Mr. Matt Moran:** I had a very open lunch with Mr. Kelly and I found him very interesting

and I found his views very interesting and of course he was ultimately proven to be very right.

**Senator Sean D. Barrett:** Yes, it's recorded that Kelly didn't believe a word of what you told him. That's on page 119.

**Chairman:** Wait now, hold up, that is a judgment and Mr. Moran would need to be asked as to his recollection of it or any reaction to that.

**Mr. Matt Moran:** Everyone is entitled to their views, Senator.

**Senator Sean D. Barrett:** What about Mr. Murray Brown of the *Financial Times*, did you have an altercation with him as well?

**Deputy Kieran O'Donnell:** Or not?

**Senator Susan O'Keeffe:** Or lunch? Or coffee?

**Chairman:** Please, just one second, now, hang on a second. It's a bit more serious than this actually. I'll ask you, Senator, to just go through the facts of the engagements. Our job is to hear the evidence being presented, to, at a later time, apply a value judgment if required, and to present the meetings and engagements in a more neutral tone, which allows Mr. Moran to inform the committee in a non-prejudicial basis as to actually what happened. Mr. Moran.

**Senator Sean D. Barrett:** Could you tell us about your meeting with Mr. Murray Brown or your contacts with him?

**Mr. Matt Moran:** I genuinely, Senator, cannot recollect that but I think you might be able to highlight it to me.

**Senator Sean D. Barrett:** Yes, according to page 221 of the Anglo book by Simon Carswell:

Moran gave [Murray Brown] an earful, threatening legal actions against the [*Financial Times*] if [he] didn't retract the article. Moran said that Anglo had been in no more difficulty than any other Irish bank.

I'm trying to build up that the industry seemed to operate in a consensus that they were right but they seem to have spent a lot of time dealing with contrarians in a fairly rough kind of manner. Were you under orders?

**Chairman:** Could I maybe reframe that: the industry took any challenging view towards it seriously and decided to engage in it in a very serious manner?

**Mr. Matt Moran:** Thank you, Chairman, I would agree with that. I think the context though, just to be helpful to the committee, is banks were under siege and Irish banks were under very significant siege at the time. International markets and players in markets can make a lot of money if share prices go up and others can make a lot of money if share prices go down. So there are always parties looking to seek value through the rise in a share price and others looking to seek value through the fall of a share price. At the time, clearly, markets were very sensitive. I don't agree, by the way, with the version of events as written in that manner but of course all the banks at the time engaged with all the parties who were writing about the bank. With a bank, it is very important, if you ... if issues happen in a bank - and remember at the time we had the regulator coming in because of rumours that were being spread by parties, poten-

tially to play their own business or play their own book - it is very important that during that fragile time that some balance is given to that situation.

**Chairman:** I've just one interjection there on that, just sorry. Was ... in terms of a strategy or a ploy, was Anglo engaged in a similar ploy? You said that you'd all these parties that were trying to increase their share fold or to make share ... share drop, to present a best image of themselves; big PR campaign; very challenging and aggressive position to anything that might challenge the corporate image of the company and so forth. Was Anglo engaged in such a strategy?

**Mr. Matt Moran:** I don't think so, Chairman, in terms of, you know, an active strategy to-----

**Chairman:** And your engagement with these personalities, was that part of the strategy to ... by Anglo to challenge any dissenting or critical views of it that might be out there in the media or in the marketplace?

**Mr. Matt Moran:** Well, Chairman, like, you had instances where e-mails were sent around saying, "Anglo has lost funding from X."

**Chairman:** Yes.

**Mr. Matt Moran:** It was totally untrue, but they were happening time and time again with big names behind them and, you know, in the market at that time, people didn't wait for the right answer. They just reacted once they saw what was happening.

**Chairman:** Okay. My apologies. This can make up a bit of time there. Senator Barrett, back to yourself there.

**Senator Sean D. Barrett:** Thanks, there. But, you see, if there were dissenting voices and they were treated in the way in which ... the describing of which is in Mr. Carswell's book, this one ended up costing €64 billion to taxpayers. I don't particularly mind if one company wants to entertain journalists, but this one was so serious. Do you think there was a moral hazard problem in Irish banking?

**Mr. Matt Moran:** Could you explain, please, sorry, Senator?

**Senator Sean D. Barrett:** Moral hazard is when people are exempted from the consequences of their actions. We had to bail out banks; we don't bail out bicycle shops and dry cleaners. So I'm not very worried what bicycle shops and dry cleaners say to stockbrokers. I'm very worried about what happened in this case, that the dissenting voices, there was an attempt made to, I think, to quell them. And we have to as public representatives inquire, you know, why there was such a herd mentality, as is in the Nyberg report, that led to €64 billion being imposed on the citizens of this country. Do you not think there should have been more free play of ideas?

**Mr. Matt Moran:** I ... thank you, Senator. I understand your point. At that time, Senator, all I can say to you is the bank thought it was going to work through the crisis that it was beginning to face. And if messages are given to the market that are incorrect or inaccurate at the point in time, then that can have a very significant impact on the bank's funding and the bank's stability. And indeed many authorities from ... including our own here in Ireland and elsewhere took action to ensure that commentators were, you know, were safe in how they put things across. I

think I heard it from another person, Mr. Cardiff, talking about, you know, if people knew at the time that they were looking at a rescue plan, that in itself, if it became public, would cause the issue. And I think that mentality, rightly or wrongly, existed with people in the banks.

**Senator Sean D. Barrett:** Did people in Irish banking think they were too big to fail and they didn't have to address the basic problems but have these discussions with journalist and stockbrokers and commentators instead?

**Mr. Matt Moran:** I can only talk from my own knowledge, Senator. I think it was the opposite. People in Ireland thought that the banks were too small and, therefore, would fail. Like, the issue that became clear later in the crisis was that if you didn't have size and diversity, that you would fail.

**Senator Sean D. Barrett:** Can I just ask you on the NAMA estimate that there was €9 billion of interest rolled up in loans transferred to it by the five banks and €3 billion related to Anglo? Were you aware of the interest roll-up included in the Anglo loan book?

**Mr. Matt Moran:** I was not aware of the scale until I saw the document from you, but I would have been aware that Anglo provided development lending. It was well known in the markets that it provided development lending and that it was normal for development lending to have interest roll up.

**Senator Sean D. Barrett:** Was that figure included in the board and senior management information dashboard on a regular basis, the rolled-up interest?

**Mr. Matt Moran:** I don't know, Senator.

**Senator Sean D. Barrett:** Okay. And how was that level of increased risk monitored within the bank?

**Mr. Matt Moran:** Risk had that function. Risk had a ... it was an independent function to lending charged with monitoring the risk in the bank, in charge of monitoring risk on a loan-by-loan basis, including any development lending and including any interest roll-up allowed.

**Chairman:** How familiar were you with those processes, Mr. Moran?

**Mr. Matt Moran:** I never worked in risk, Chairman.

**Chairman:** Okay.

**Senator Sean D. Barrett:** And the meeting of the board of 12 December 2008. Now that's been mentioned this morning, that about two thirds of the board members were absent. But at that board meeting it was reported that David Drumm and Willie McAteer had met with John Hurley and Tony Grimes at the Central Bank of Ireland and a figure of €3 billion of new capital was acknowledged as being needed. Were you aware that Anglo would require this quantum of additional capital in order to remain solvent?

**Mr. Matt Moran:** No, I wasn't a member of the board at any time and I didn't attend that meeting and I'm not aware of that figure. What I can provide, Senator, as background is that the capital norms had changed, so Anglo had significant capital well above regulatory limits. But the market determined new limits and, as a result, banks everywhere in the world were seeking alternative sources of capital, and that public market avenues which were normal were very nervous and closed to such activities, and hence the reason to approach private equity providers



and sovereign wealth providers.

**Senator Sean D. Barrett:** What was your assessment of the bank's liquidity and insolvency position on the night of the guarantee?

**Mr. Matt Moran:** Again, I had no knowledge of the guarantee or the night of the guarantee at the time. I was aware through the end of September that the bank was losing funding, especially post-Lehmans and WaMu collapse, and I was aware that the bank, you know, needed additional funding lines at that point in time.

**Senator Sean D. Barrett:** Was the gravity of the Anglo position understood? I ask that because the Anglo balance sheet was 60% of Ireland's GDP. Lehman Brothers, which has been mentioned by several speakers, was only 7% of US GDP. I mean, this was Ireland heading towards a real crisis, as we saw. Was that appreciated in the bank and in the people with whom you associated?

**Mr. Matt Moran:** Well the Irish banks had €400 billion of a balance sheet combined, which was a multiple of Irish GDP.

**Chairman:** Four times.

**Mr. Matt Moran:** Four times. Thank you, Chairman. And, I think, when we look back today, that was an issue for Ireland and for the sector.

**Senator Sean D. Barrett:** How do you feel in retrospect of having spent time working in Anglo Irish Bank?

**Mr. Matt Moran:** I have huge regret, Senator, for being involved in the bank. I worked very hard in the bank. I stayed post the change of management. I continued to work, but the outcome, what the bank has cost, Senator, to Ireland, to the taxpayers, has been just enormous beyond belief.

**Senator Sean D. Barrett:** Would you prefer it wasn't on your CV?

**Mr. Matt Moran:** I think everyone, Senator, who worked in the bank would prefer that it wasn't on your CV, absolutely.

**Senator Sean D. Barrett:** Thank you, Mr. Moran, and thank you, Chairman.

**Chairman:** Thank you very much, Senator Barrett. Mr. Moran, if we might just stay with you for a moment, I just want to deal with one question and then I'll bring in the other questioners now that the leads have completed. Mr. Moran, in June 2008 Anglo prepared a financial projections for the 2008 to 2012 period. This is less than, what, four or five months before the guarantee and just about six months out from nationalisation, one of which was an "extreme stress case". Under this scenario, loan loss provisions were estimated at 1.2%. That's up on the screen there at the moment. You see it there, I think it's the second last column on the page. And so loan loss provisions were estimated at 1.2% of the portfolio over the period of 2009 to 2012. It's in your document books there - if you just want to reference the book rather than look at the screen, it's in Vol. 2. I think it's page 33.

**Mr. Matt Moran:** Vol. 2, page 33. Vol. 1 maybe?

**Chairman:** Sorry. No, it's actually pages 17 to 23 of Vol. 2. That's where it is, sorry.

**Mr. Matt Moran:** Thank you.

**Chairman:** And the next document coming up on the screen is actually in Vol. 2, page 25. It's the Anglo annual report of 2009. And here what we actually see is that, in the event, the actual impairment charge at the end of 2009 amounted to 19.2% of the loan portfolio. So what was predicted was 1.2% and what actually happened was 19.2%. Did management get any external economic advice or input into the stress test scenario?

**Mr. Matt Moran:** I'm not aware, Chairman, if external advice was taken. This was prepared in April-May 2008.

**Chairman:** Sure, yes.

**Mr. Matt Moran:** The purpose was ... if you see, there's a table at the back, on page 22, and that table would be typical of how a rating agency looks at the bank.

**Chairman:** That's correct.

**Mr. Matt Moran:** And this was based on a set of assumptions at that time which looked at ... if you look, the extreme stress case has a loss level of close to €4 billion - €3.7 billion - which was, I think, 100 times the specific charge in '06 or '05. So it was, you know, a massive multiple and, at the time, whilst people felt, I believe, that the economy was worsening and the situation was worsening, people did not anticipate the scale of what happened. When, in 2009, the new board undertook a detailed ... or instructed the undertaking of a detailed bottom-up exercise with some external help, there were two very clear issues. Firstly, the last quarter of 2008 had worsened dramatically and then, in the first quarter 2009, it got further worse.

**Chairman:** There is a lot of figures and details there but I just want ... in terms of what were the top-line events that were actually happening around that time, Mr. Moran, is ... we have testimony here that there was discussions about the requirement to ... or the potential or the possibility of guaranteeing financial institutions in the State. There was preparations, at some stage or other of 2008, with regard to nationalisation legislation for financial institutions. And there's more than what might be considered a degree of flux actually in the market. So, in that regard, did management consider a doomsday scenario as part of this stress test exercise?

**Mr. Matt Moran:** I think, Chairman, we had advisers - an investment bank from the UK, a global investment bank - who was advising the bank on multiple issues, including the raising of capital to bolster capital - including rights issues - takeover, be taken over, halo investors. And that was a consequence of the flux, as you say, in the market at the time. So there was intense involvement and, indeed, that was part of my life throughout that period, looking at how do you underscore or underpin the balance sheet given the way the economics were beginning to change.

**Chairman:** Okay, and, in that regard, did ... in terms of stress testing here, some of the kind of aspects of it, did the stress testing take into account correlations between types of property being financed - investment, development, speculative landbanks and so forth?

**Mr. Matt Moran:** Well, input into this came from risk. So risk inputted this, clearly using historical experience and their experience as individuals.

**Chairman:** And that brings me to my next question - individuals. One of the notable aspects of the Anglo loan book is the short number of individuals and the great exposures that

were there. Was that ever taken into ... as part of the consideration under stress testing?

**Mr. Matt Moran:** I don't know if risk undertook that stress testing, Chairman. I wouldn't have been involved personally, so I don't know if that was the case.

**Chairman:** Okay. You just said earlier - I think it was ... I'm not too sure whether it was to Senator Barrett - that you were not aware of the scale of the interest roll-up. As CFO, were you involved in producing the accounts for the bank?

**Mr. Matt Moran:** I didn't produce the accounts but I did write the summary report, often, to the accounts.

**Chairman:** So, in that regard, would this not have been a number that you would have seen when compiling the accounts?

**Mr. Matt Moran:** Well, in a bank you have the lending operations, you have risk and you have-----

**Chairman:** I'll just come back to the question. Did you see the numbers when compiling the accounts?

**Mr. Matt Moran:** I don't recollect, Chairman.

**Chairman:** Okay. If ... so you haven't ... do you think that this should have been a number that was transparent in compiling the accounts? Should it have been there when you were looking at the accounts?

**Mr. Matt Moran:** I would hope, Chairman, that it was in the risk report.

**Chairman:** But you don't think it should've been in the figures that were being presented to yourself, no?

**Mr. Matt Moran:** Well, I would hope it's in the risk report, which would look at risk and roll-up and that assessment. But finance didn't have a role in respect of risk, Chairman.

**Chairman:** I just want to go with an issue that you responded to Deputy Murphy as well. You were asked specifically what political contacts you made and obviously you would have detail in regard to that. Are you aware of other political contacts that were made by the bank? Like, was there a meeting to say, "Well, Mr. Moran, you go and talk to such and such a person; such and such a person, you go and talk to such and such a person"?

**Mr. Matt Moran:** No, Chairman, there wasn't a meeting like that. I am aware of the bank meeting and having Brian Cowen for dinner. I didn't attend. I wasn't on the board. I was aware of that. I don't think I'm aware of others except through ... subsequently learning through media.

**Chairman:** And as a senior manager in the bank and in the growing flux that we are concerned ... and the growing awareness of the evolving issues of the bank, were Anglo ... because you've had ... can I just say, were they the only two times you ever had political engagements or political meetings of that nature? Outside of the ... they seem to relate specifically to the crisis period. Was there other meetings you had outside of the crisis period?

**Mr. Matt Moran:** I was involved ... I visited the Department of Finance. So I had some other contacts but they were routine in nature or else I wasn't taken into the meeting once the

meeting started.

**Chairman:** And, just as an overall strategy, if there was access to ... to gain access to a political ear, as such, with issues relating to Anglo, who would be the person that would deal with that?

**Mr. Matt Moran:** I think the chief executive or the chairman, Seán.

**Chairman:** Okay, and what would they do? Would they do it themselves or would they delegate somebody else to do it?

**Mr. Matt Moran:** Well, there are two instances involving me in which they were delegated. I was specifically asked, Chairman. I don't know of others.

**Chairman:** You don't know of any other situations where other people were delegated, no?

**Mr. Matt Moran:** Unless you could help me ... I'm not aware, from my recollection, of other contact being made. Certainly, I wasn't directly involved, Chairman.

**Chairman:** Okay, thank you. Deputy Michael McGrath.

**Deputy Michael McGrath:** Thank you very much, Chair. Mr. Moran, you're very welcome.

**Mr. Matt Moran:** Thank you.

**Deputy Michael McGrath:** Can I start by asking you about Anglo Irish Bank's annual report for 2007, page 3, which shows that over the period '02 to '07, profit before tax increased by 376% and earnings per share by 363% and total assets by just under 400%. So can I ask you, do you think that these levels of growth were prudent or sustainable in the context of the level of competition in the Irish lending market during the period?

**Mr. Matt Moran:** Well, Deputy, the growth referred to is clearly the growth in all markets, I believe.

**Deputy Michael McGrath:** Yes.

**Mr. Matt Moran:** So what the bank had sought to do was to diversify by going into other markets, not just Ireland where it traditionally had lent. So some time in the '90s it established a UK division. Some time in the 2000s - in the noughties - it established a US division.

**Deputy Michael McGrath:** Okay.

**Mr. Matt Moran:** I think it's clear, on hindsight, that this level of growth was excessive for the bank.

**Deputy Michael McGrath:** Was it sustainable?

**Mr. Matt Moran:** I don't believe it was sustainable and, indeed, in my note to the board in January 2007 I specifically flagged that the bank needs to change from its high growth to a more moderate growth and prepare the market for that.

**Deputy Michael McGrath:** Okay. And do you think that the pursuit of growth of that order inevitably impacted on credit quality and lending standards? There was such a drive for aggressive growth, did it have an impact, do you believe, on those issues - the quality of lend-

ing, in particular?

**Mr. Matt Moran:** I didn't sit in many credit committees and I wasn't part of creditor lending so I didn't feel in the bank from where I sat that there was this, you know, drive for growth, as you call it. But the retrospect view is clear that - and from what I have seen in other documents and issues around certain controls - that credit appeared to weaken and controls around risk appeared to weaken.

**Deputy Michael McGrath:** Okay. I am intrigued by your reference to the credit committee. On page 10 of your witness statement, you say "up to 200 staff members ... could serve on a credit committee", and in the appendix then you explain that when you add in the number of people who might dial in by video conference and those who would be attending directly who would be relevant, "some 30 to 60 people would attend each committee out of some 200 potential participants", and a credit committee meeting would have been held every other day perhaps.

**Mr. Matt Moran:** Yes, or even daily. Like I remember, as context, when I joined the bank, being invited into credit committee to learn how the bank works so it was seen as a-----

**Deputy Michael McGrath:** Okay.

**Mr. Matt Moran:** -----as a learning ground and bringing lenders into credit committee was seen as a way to, in effect, teach them-----

**Deputy Michael McGrath:** Okay.

**Mr. Matt Moran:** -----so lenders were brought in. Now I know that is different to certain other banks, but lending was the heart of the bank; it did nothing else really. It didn't have other income generating activities of significance.

**Deputy Michael McGrath:** Okay. You referred to a briefing which you organised involving Fine Gael - Enda Kenny, Richard Bruton plus one other - which involved Willie McAteer, Mr. Drumm and yourself. When did that take place?

**Mr. Matt Moran:** You've got me. I'm afraid I don't know exactly when that was.

**Deputy Michael McGrath:** Well, Mr. Kenny was questioned by Deputy Doherty when he attended and all that he could say was, "I think it was 2008".

**Mr. Matt Moran:** It was definitely 2008.

**Deputy Michael McGrath:** Pre-guarantee, post-guarantee? Look, I am not trying to catch you out. Mr. Kenny-----

**Mr. Matt Moran:** I am sorry.

**Deputy Michael McGrath:** Mr. Kenny did give ... did refer to it in the Dáil previously-----

**Mr. Matt Moran:** Yes.

**Deputy Michael McGrath:** -----and said it was a couple of weeks after the guarantee. Now when he came before this inquiry, he said it was some time in 2008 so, can you narrow it down for us is what I am asking.

**Mr. Matt Moran:** I honestly can't. I don't have a diary from that period. You can see subsequent e-mails in November from me so I think that it is most likely correct. I have no reason to believe it is not.

**Deputy Michael McGrath:** Okay. What e-mails are you referring to?

**Mr. Matt Moran:** These e-mails in the public domain where I wrote to David Drumm following contact from Enda Kenny.

**Deputy Michael McGrath:** Okay. So you are confirming that you are the author of those e-mails. So the reference is an article in the *Sunday Independent* of 21 July 2013?

**Mr. Matt Moran:** Correct.

**Deputy Michael McGrath:** You are familiar with that-----

**Mr. Matt Moran:** Yes.

**Deputy Michael McGrath:** -----by Tom Lyons and Daniel McConnell, where two e-mails in particular are referred to. The first e-mail would be 18 November 2008, from yourself to Mr. David Drumm, where you refer to an "Enda K": "Enda K called ...Said that today a lot of rumour circulating Leinster Hse concerning deal with BoI (Bank of Ireland) and ILP, (Irish Life and Permanent)." Did you send that e-mail?

**Mr. Matt Moran:** I did, and "Enda K" refers to Enda Kenny.

**Deputy Michael McGrath:** Sure. And in that you were giving an account of a conversation you had personally with Mr. Kenny.

**Mr. Matt Moran:** Correct. So there were lots of rumours at that time, as you know, and he informed me that these rumours also existed.

**Deputy Michael McGrath:** Okay. When was that particular conversation? Was it the same day that you would have sent the e-mail or-----

**Mr. Matt Moran:** I think my note is contemporaneous, yes.

**Deputy Michael McGrath:** Okay. And then the following day, 19 November, there is a further e-mail, from you to Mr. Drumm, where it says, "Enda says we are to be an 'offshoot' of" BoI." Were you the author of that e-mail to Mr. Drumm?

**Mr. Matt Moran:** I was, correct.

**Deputy Michael McGrath:** And is that giving an account of a separate conversation with Mr. Kenny?

**Mr. Matt Moran:** I believe so. I think my note is contemporaneous.

**Deputy Michael McGrath:** Okay. Can you give us the background to that because, obviously, those are very sensitive issues that were being discussed by Mr. Kenny, as Leader of the Opposition, and you - information which may or may not have been accurate or I don't know the provenance or where he would have got the information. But can you give us the background to those conversations? So were there two conversations? Were there more conversations at that time between you and he?

**Mr. Matt Moran:** I think, Senator, they are the only conversations because I sent notes immediately afterwards informing the leadership of the bank. They were, I think, referred to as noise about potential transactions or potential outcomes for the bank and, indeed, there was noise all the time from multiple parties at that time and he just informed me, "Listen, this is the noise that I've heard."

**Deputy Michael McGrath:** Okay. Mr. Kenny told this inquiry that he had no conversation of any substance with yourself.

**Mr. Matt Moran:** I think that is fair to say.

**Deputy Michael McGrath:** But he did have a conversation with you in which he informed you that Anglo was to be an offshoot of Bank of Ireland.

**Mr. Matt Moran:** I think the context of the comment was, "Listen, there's noise around here that you're going to be bought by this one, bought by that one."

**Deputy Michael McGrath:** And a second conversation in which he conveyed to you a rumour circulating around the corridors of power about a deal between Bank of Ireland and ILP?

**Mr. Matt Moran:** Again-----

**Deputy Michael McGrath:** You would characterise that as not a conversation of any substance?

**Mr. Matt Moran:** Well, at the time, Senator, there was ... there were rumours literally every hour, every day about what's going to happen the banks, who's going to own who, what international players are going to come in, what international players are going to leave, and, literally, rumours were ten a day.

**Deputy Michael McGrath:** Sure. Under questioning by Deputy Doherty, Mr. Kenny acknowledged at least one conversation, and said that there may have been two, and that the origin of it was that your brother contacted him to say that you wanted to speak with Mr. Kenny, that you wanted to say something to him. Is that the case?

**Mr. Matt Moran:** That's correct. My-----

**Deputy Michael McGrath:** What did you have to say to him?

**Mr. Matt Moran:** In Castlebar, my brother has a bar. It's just opposite Enda's constituency office. Clearly, it's a small town, as you know, and whilst I didn't know Enda well, my brother is closer to his age and knew him.

**Deputy Michael McGrath:** Sure, and Mr. Kenny acknowledged that he did make contact with you. So, pertaining to Anglo Irish Bank, what did you want to convey to him, if anything?

**Mr. Matt Moran:** Well-----

**Deputy Michael McGrath:** He specifically referred to ... that the origin of the call was your brother said to Mr. Kenny that you wanted to convey something to him.

**Mr. Matt Moran:** Well, maybe just to be very precise on that, I think it was that the CEO of the bank had asked to have an opportunity to meet Enda Kenny and I was a route for him to arrange that, and I've explained the meeting that took place.

NEXUS PHASE

**Deputy Michael McGrath:** Okay. Mr. Chairman, I know we are not going anywhere near the whole criminal trial area, but just to ask Mr. Moran that what was said in court that you have immunity from the DPP, that that is accurate in relation to all matters pertaining to Anglo.

**Mr. Matt Moran:** That is correct.

**Deputy Michael McGrath:** Thank you.

**Chairman:** Thank you very much. Deputy John Paul Phelan.

**Deputy John Paul Phelan:** Thank you, Chairman. Good afternoon, Mr. Moran.

**Mr. Matt Moran:** Good afternoon.

**Deputy John Paul Phelan:** Firstly, I want to turn to Vol. 1.

**Chairman:** Just for a moment here. Just on that matter, while you may have immunity, and that's been acknowledged and everything else-----

**Deputy John Paul Phelan:** Stop the clock, Chair.

**Chairman:** Yes, the clock is stopped. That should not be misconstrued or misinterpreted that Mr. Moran has the freedom to say whatever he actually wants inside here because there would be witnesses and people who may be facing some procedures that could be impacted by what Mr. Moran might actually comment upon. Would I be right in that regard?

**Mr. Matt Moran:** That's correct, Chairman.

**Chairman:** So we are definitely correct in that regard.

**Mr. Matt Moran:** Thank you.

**Chairman:** So it is not licence for Mr. Moran to say whatever he wishes.

**Mr. Matt Moran:** Absolutely not.

*(Interruptions).*

**Chairman:** Indeed, indeed. I just wanted to clarify that, Deputy McGrath. Back to yourself, John ... Deputy Phelan.

**Deputy John Paul Phelan:** Thank you. Don't start the clock for a few more minutes.

**Chairman:** You'll get immunity there.

**Deputy John Paul Phelan:** Mr. Moran, good afternoon again. I wanted to ask in relation to Vol. 1, pages 29 to 32 or 33, I think. It's a document entitled "Draft Business Plan Summary - Five Years, 2009 - 2013", and it's dated November 2008. Firstly, would you have been involved in the compilation of that document and was it presented to the board? I presume it was presented to the board of the bank.

**Mr. Matt Moran:** I don't know if it was presented to the board. I never sat on the board and I don't know if this was given to them. This, to the best of my recollection, Deputy, was



prepared by the group head of compliance at the instruction of the chief executive.

**Deputy John Paul Phelan:** So, would you have had any input into it?

**Mr. Matt Moran:** I think the finance team would have had input into it and I would have been involved, but it was run by the group head of compliance.

**Deputy John Paul Phelan:** There are a couple of quotes that I just want to put to you from it, in particular, one at the bottom of page 31, “Anglo Irish Bank Overview”. It says, and bearing in mind this was November 2008, “We believe that Anglo Irish Bank will be the most profitable and capital generative of all publicly quoted financial institutions in Ireland over the five year period”, the five-year period being 2009 to 2013, exclusive. In light of the fact that this was just a few months before nationalisation, a few months before the bank was making impairment provision of over €4 billion and ultimately cost many billions of euro to the State and the taxpayer, how can you rationalise for the general public how this statement was made or that conclusion was come to?

**Mr. Matt Moran:** It’s not my conclusion, Deputy, but I can understand fully why you can ask that question in the context of what ultimately happened. I think others have come before the committee and explained that 2008 and the first three quarters of 2008 were very different to what ultimately happened. The fourth quarter of 2008 saw a significant downturn but that materialised later, and in ‘09 and ‘10 the collapse in the economies, in particular in Ireland, but also elsewhere where the bank was - they were all correlated if you will - led the bank to have a much worse position than the assumptions that were used to create this view. So, fundamentally, risk did not believe that the bank would suffer this level of losses, and the other elements of the bank’s model were positive contributors. For example, it had a cost-to-income ratio that was very low, so it meant that for revenue generated in a period, a significant element of that would convert to profit, so it had some buffers. Now, nationalisation, from what I understand, occurred for numerous reasons, rather than implying it just to be the level of loss, but I understand your question obviously.

**Deputy John Paul Phelan:** I think nationalisation was, I think it would be fair to say, directly related to the level of loss, but I know the point you are making. I want to - well, I suppose - ask you also in relation to your own time working in Anglo firstly. When again, just remind me ... I was just trying to find the date that you started working in Anglo.

**Mr. Matt Moran:** September 2002.

**Deputy John Paul Phelan:** You’ve worked in several different financial institutions at this stage. What was the overriding culture of Anglo Irish Bank? Was it very different than other institutions that you worked in or was it largely similar?

**Mr. Matt Moran:** I lived outside of Ireland from 1990 until I came home to join the bank in 2002. From afar, Anglo was seen as a strongly performing business. The culture in the bank was one that was very customer-centric, very customer-focused. People were very hard-working. That was the attitude in the bank. So in those earlier years I was there, those characteristics were good and strong characteristics, I would say, of the culture in the bank. It was a smaller business so people knew each other. You know, it was relatively small at 2,000 people compared to the larger banks of 15,000 to 20,000 and beyond elsewhere in international scene. So that’s some colour of what it was like.

**Deputy John Paul Phelan:** Yes. Well, I don’t want to rehash the statements or the refer-

ences that have been made by the first two speakers, Senator Barrett and Deputy Murphy. You would have been portrayed in the media, in some of those books that were published and other articles, as being somewhat of an enforcer for the line. I suppose, to use a political phrase, one could equate you with a chief whip kind of role in terms of how you were portrayed at least in the media. Is that an accurate portrayal do you think? Outside of the three references that Senator Barrett made to those particular meetings that took place, were there other similar events, and did you see that as part of your function? Were you acting off your own bat or was that something that you were instructed to do?

**Mr. Matt Moran:** I cannot comment on how others portray or how it is written. That is obviously for them to comment, rather than for me. I worked very hard in the bank. I had that ethic about me and I was seen as someone who could take on difficult issues and look to try and solve them. I can say no more than that. Others can comment and, you know, these were stressful times obviously in 2007 and 2008, but others can comment, not me.

**Deputy John Paul Phelan:** Those instances, were they off your own bat or were you acting on-----

**Mr. Matt Moran:** Well, for example, I met Professor Kelly at the request of the CEO of the bank.

**Deputy John Paul Phelan:** Okay, and were there other such similar discussions, robust discussions to use another political analogy?

**Mr. Matt Moran:** Well, there's one that was frequently quoted in the media in respect of Merrill Lynch and, you know, media can have a view and have a colour that is somewhat different from reality, as we all know.

**Deputy John Paul Phelan:** Okay, well that's fair enough. Finally, I wish to ask you in relation to ... it is core document 2, pages 3 to 5. I'll get it myself, yes, "Exceptions to Credit Policy for Anglo Loans Transferred to NAMA". Information provided by the special liquidators on exceptions to credit policy for loans transferred to NAMA shows that the aggregate value of exceptions identified was almost €32 million or 92% of the value of the book which transferred to NAMA. Can you explain for the committee why the level of exceptions to credit policy was so high?

**Mr. Matt Moran:** I obviously only saw this document when it was sent to me by the committee. I wasn't a lender. I wasn't in risk. I wasn't aware of that level or that headline. Clearly, on the face of it, it's very significant and it's very surprising. To give a more meaningful answer I think anyone who'd look at this would need to go down through and understand what was the nature of the exception. You know, without looking at it, it's hard to comment, but the size ultimately and the percentage is of itself just a very significant level.

**Deputy John Paul Phelan:** All right. Thank you.

**Chairman:** Thank you very much, Deputy. Now, Deputy Kieran O'Donnell. Deputy, ten minutes.

**Deputy Kieran O'Donnell:** Thanks, Chairman. Welcome, Mr. Moran. Can I direct you to Vol. 1, two presentations? One volume page 61, which is Anglo Irish's - sorry, the auditors of Anglo Irish, Ernst and Young's view on the controls in place. And then, subsequently, page 63, Project Legacy which PwC carried out and their review in terms of loan losses, and the disparity

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between both of those. Can you offer an explanation for the disparity and do you believe that PwC's comments in terms of Project Legacy are accurate and fair?

**Mr. Matt Moran:** I can't comment, Deputy. I wasn't involved in the review of lending, the review of risk, the review of exceptions. It's very difficult for me to comment.

**Deputy Kieran O'Donnell:** What was your role, Mr. Moran? You joined the bank in '02.

**Mr. Matt Moran:** Correct.

**Deputy Kieran O'Donnell:** What exactly did you do?

**Mr. Matt Moran:** I explained in my opening statement so I was involved in-----

**Deputy Kieran O'Donnell:** No but ... distil it down. When you came in in '02, what were you appointed as?

**Mr. Matt Moran:** As associate director.

**Deputy Kieran O'Donnell:** Doing what?

**Mr. Matt Moran:** A variety of different roles, Deputy. So a significant-----

**Deputy Kieran O'Donnell:** Who did you report to?

**Mr. Matt Moran:** I reported to Willie McAteer, the group finance director.

**Deputy Kieran O'Donnell:** So you were in a finance role?

**Mr. Matt Moran:** Correct.

**Deputy Kieran O'Donnell:** And subsequently, you were appointed CFO. Was that correct?

**Mr. Matt Moran:** I was but it was no change to what I did or my role.

**Deputy Kieran O'Donnell:** So you always reported to Willie McAteer?

**Mr. Matt Moran:** Correct.

**Deputy Kieran O'Donnell:** Okay. So your role was in the finance area?

**Mr. Matt Moran:** Yes.

**Deputy Kieran O'Donnell:** Had you any specific area of responsibility under Mr. McAteer?

**Mr. Matt Moran:** I took on a number of areas. One was investor relations. Two was looking at the Dublin finance function and upgrading that so I hired a lot of people into the business. I brought people in from across other banks. I brought people from international markets into the finance function of the bank.

**Deputy Kieran O'Donnell:** So you reported directly to Willie McAteer? Did you in any way report to the CEO, David Drumm?

**Mr. Matt Moran:** No, I never reported to the CEO, David Drumm.

**Deputy Kieran O'Donnell:** Can I go to page 4 of your statement? It is in your role dealing with investor relations. You said:

Throughout 2008 the international crisis escalated. The inherent difficulties surrounding the entire banking industry, and specifically Anglo Irish Bank's position as a small player in the banking pool, was compounded by shareholder issues. By these I refer to Sean Quinn's [contracts for difference] investment in the Bank and [a] problem ... arising from its unravelling.

What was your involvement in the unravelling of the contracts for difference of the Seán Quinn investment?

**Mr. Matt Moran:** I had relationships with investment banks. I had a relationship with the investment bank that was hired by the bank to look at strategy around placing the position or the underlying shares to the CFDs.

**Deputy Kieran O'Donnell:** And who did you ... who were the investors ... who was the advisers you took on?

**Mr. Matt Moran:** Morgan Stanley.

**Deputy Kieran O'Donnell:** Okay. And you might just elaborate as to ... were you tasked with project managing this unravelling?

**Mr. Matt Moran:** I worked with the group finance director who was the person responsible for shareholders in the bank and I worked-----

**Deputy Kieran O'Donnell:** Willie McAteer.

**Mr. Matt Moran:** Correct, Deputy, and I worked with him to look at various options - 12, ten or 12 in total - around placing the underlying shares in discussions with the regulator at the time with international investors.

**Deputy Kieran O'Donnell:** When did you first become aware of the contracts for difference - with Seán Quinn's contracts?

**Mr. Matt Moran:** In or around end of December '07- early January '08.

**Deputy Kieran O'Donnell:** And how difficult did you find it to actually unravel? Just give me ... how complicated ... I suppose what I want to know really is how difficult it was and in your dealings with investors overall, what implications did it have for the bank itself in terms of operating, in terms of liquidity if the contracts for difference hadn't arisen - the Seán Quinn contracts for difference. Do you believe on the night of the guarantee that Anglo Irish would have had the liquidity problems it found itself in?

**Mr. Matt Moran:** I'll answer it another way if I may? Back to your opening point, information about the CFD position was drip-fed to me so I became aware over time.

**Deputy Kieran O'Donnell:** Drip-fed by whom?

**Mr. Matt Moran:** By the group finance director, Willie McAteer, or the CEO, David Drumm.

**Deputy Kieran O'Donnell:** Okay.

**Mr. Matt Moran:** What transpired was there were nine counterparties to the CFDs and CFD-----

**Deputy Kieran O'Donnell:** You might explain that for the ordinary person when you say counterparties - the nine.

**Mr. Matt Moran:** What happens in a contract for difference is that the person who has the economic interest never owns the underlying shares.

**Deputy Kieran O'Donnell:** They pay, effectively, a deposit or----

**Mr. Matt Moran:** Correct.

**Deputy Kieran O'Donnell:** ----- a small sum up-front.

**Mr. Matt Moran:** Correct. So you have a bank and the bank agrees to have the position in respect of the underlying shares but the person who has the economic interest pays a margin. So, for example, if you wanted to buy €10 million worth, you could pay €2 million down but the bank would give you the equivalent position of €10 million.

**Deputy Kieran O'Donnell:** If the shares go up, you gain and if the shares go down, you cover the difference.

**Mr. Matt Moran:** Absolutely.

**Deputy Kieran O'Donnell:** So there was nine-----

**Mr. Matt Moran:** There were nine but very interesting-----

**Deputy Kieran O'Donnell:** There was nine banks.

**Mr. Matt Moran:** There were nine banks or brokers who then in turn would go to ... a broker would go to the bank if it didn't have the facility itself to create the contract for difference.

**Deputy Kieran O'Donnell:** And how did you get to a point where you found out who these nine were?

**Mr. Matt Moran:** It was provided to me by the group chief executive - by David Drumm.

**Deputy Kieran O'Donnell:** Okay and how did he come up with it?

**Mr. Matt Moran:** I would be speculating how he did.

**Chairman:** I have to advise confidentiality here now as well, Mr. Moran - of customer confidentiality. Be mindful of that, please.

**Mr. Matt Moran:** Yes. Thank you, Chairman. It was provided to me anyway by the group chief executive and one of the key issues with a CFD, which we learned, was you don't have any rights relating to the share. So the underlying bank can do what they want with respect to the share. They can take the shares. They can use them for some other reason. They can not buy the shares. But in effect what happened in late 2007 and early 2008 and right through 2008 that the market became very focused on share price as a proxy for risk and so you have what's called the VIX index or the fear index as it became known at the time, where that gyrated wildly and if share prices were moving up and down, whereas historically, funders would, I think, have very seldom looked at that, it now became a core area of focus for any depositor.

**Deputy Kieran O'Donnell:** Specifically, the Seán Quinn contracts for difference - what impact did you believe did that have in terms of rumours in the markets, did it have on the share price and more particularly, what impact did it have on Anglo Irish to be able to attract, we'll say, deposits, to be able to attract with bonds investors?

**Chairman:** We've two minutes now, Deputy.

**Deputy Kieran O'Donnell:** Did it have ... the root of my question is on the night of the guarantee, would Anglo Irish ... 30 September ... would Anglo Irish have had the liquidity problem if the Seán Quinn contracts for difference had not arisen?

**Mr. Matt Moran:** It's very difficult to say and speculate whether it would have had or would not. I believe it was certainly ... if it didn't have it, it would've been a lot less of an issue.

**Deputy Kieran O'Donnell:** The liquidity would?

**Mr. Matt Moran:** Absolutely because what had happened is the market was aware given the multitude of counterparties that ... and all the other counterparties would go behind the nine so it turns out it ... market knowledge was very significant, that there was a very significant holding from an investor.

**Deputy Kieran O'Donnell:** Were these counterparties based in Ireland, England or Europe or America?

**Mr. Matt Moran:** Typically Ireland and the UK.

**Deputy Kieran O'Donnell:** Were they other banks?

**Mr. Matt Moran:** Other banks, typically - five banks, six banks and three brokers to that extent.

**Deputy Kieran O'Donnell:** And if you were a counterparty providing that access to funding for the person investing in a contract for difference, would you have been aware of what shares they were doing the contracts for difference with?

**Mr. Matt Moran:** Absolutely. So then just to go back to your point because I think it is important to give the context, the counterparty held the risk if the ultimate investor didn't pay them. So the counterparty at any stage could say "I'm selling." Market players who wanted to bet on the share price going down could influence that in any way or if the share price did go down, it might have created a trigger for that CFD holder to automatically sell. If you sell, you push the share price down again and it feeds off itself.

**Deputy Kieran O'Donnell:** And did you feel ... did Anglo Irish feel compelled to move immediately to close off control of the-----

**Chairman:** Last question, Deputy.

**Deputy Kieran O'Donnell:** I think it's a critical point, Chairman.

**Chairman:** You are just running out of time. That's all.

**Deputy Kieran O'Donnell:** No but it's a complicated area that has huge significance in terms of Anglo-----

**Chairman:** You don't have time to talk so ask the question please?

**Deputy Kieran O'Donnell:** Well, I suppose the question I want to ask is did Anglo Irish feel compelled to move to take control of the contracts for difference, that the implications were so broad for the bank in terms of liquidity and share price that they had to move?

**Mr. Matt Moran:** My understanding, Deputy, is that together with the regulator, because I wasn't directly involved in those discussions, that both the bank ... the CEO of the bank and the board of the bank and the regulator believed that this was a huge issue. Remember, you know, if you want to acquire shares in a bank, if you go over a certain threshold, it being 10%, you must disclose and seek approval from the regulator. The CFD was worse in the sense that it gave all the downside risk without any control to the underlying person who held the economic risk.

**Deputy Kieran O'Donnell:** Finally, did the Financial Regulator ... is it your view that they were fully informed of all aspects of the contracts for difference once it came to your ... once it came to Anglo's notice? And did they approve all the actions that ye took in terms of taking control of the contracts for difference?

**Mr. Matt Moran:** I can only give you what's my understanding because I didn't have the contact myself, but my understanding was, yes.

**Deputy Kieran O'Donnell:** Then the contact was through ... the contact to the Financial Regulator was through?

**Mr. Matt Moran:** It was through the chief executive and the group finance director, I believe, and may have included other members of the board at certain points in time.

**Deputy Kieran O'Donnell:** And do you know who they were, the other members of the board?

**Mr. Matt Moran:** I don't know, Deputy.

**Chairman:** I will wrap things up and then I'll finish up myself, on this occasion. Deputy Murphy, please, three minutes.

**Deputy Eoghan Murphy:** Thank you, Chairman, and thank you, Mr. Moran. Just one other area I want to look at very briefly, if I may, is the development lending and Anglo's exposure to it in 2008, because in March 2008, your bank's exposure to development lending was 15% of the loan book. By December, the exposure is at 23%, but this wasn't because you'd increased your lending; it was because you reclassified a section of loans. Is that correct?

**Mr. Matt Moran:** I don't ... excuse me, I don't know the particular point. Is this in the-----

**Deputy Eoghan Murphy:** This is to do with a results announcement that you made to analysts from London and Dublin in December '08 in which 15% of the loan book had been said, in March, to be development lending exposure, but it is a reclassification that brings it to 23% at December '08, which is pretty significant, because it actually changed quite significantly the exposure the bank had at the time to speculative lending at a very crucial point in time for the bank. Do you remember that reclassification?

**Mr. Matt Moran:** I do, Deputy.

**Deputy Eoghan Murphy:** You spoke about it at that meeting with analysts.

**Mr. Matt Moran:** Yes.

**Deputy Eoghan Murphy:** Do you remember why that reclassification took place?

**Mr. Matt Moran:** I can't recollect. Sorry, I can't recollect why that reclassification took place.

**Deputy Eoghan Murphy:** You can't. Okay. Thank you.

**Chairman:** Thank you very much. Senator Barrett.

**Senator Sean D. Barrett:** Thank you, Chairman. Thanks, Mr. Moran. On the CFDs and your discussion with Deputy O'Donnell, Mr. Carswell puts those arising in early 2007, but you weren't told until December. Was there a slowness to react to those purchases by Mr. Quinn?

**Mr. Matt Moran:** I don't know, Senator. I know when, broadly, I became aware of it.

**Senator Sean D. Barrett:** There's a suggestion from the Revenue Commissioners in 2006 there should be a stamp duty on CFDs. Would you think it was a good idea if this committee were to recommend that?

**Mr. Matt Moran:** Stamp duties have pluses and minuses. If you want to attract liquidity into the Irish market, a stamp duty is a negative if other markets are not doing it.

**Senator Sean D. Barrett:** But your overall experience with CFDs would not be particularly pleasurable I suppose, would it?

**Mr. Matt Moran:** I think it's a very different point though, Senator. I don't think it's related.

**Senator Sean D. Barrett:** Well, sometimes you tax activities which are felt to have social costs rather than benefits. Did you have any relationships with the NCB Stockbrokers - the robust discussions? Did you have some with them?

**Mr. Matt Moran:** I definitely knew NCB Stockbrokers and, yes, we would have known them well as a bank.

**Senator Sean D. Barrett:** It is reported that senior executive in Anglo sought to have a stockbroker sacked because he didn't like the views of Anglo that that stockbroker was publishing.

**Mr. Matt Moran:** That's not me. That's all I can say to you.

**Senator Sean D. Barrett:** Right. Did you have a similar robust conversation with Irish Life and Permanent, Mr. McCarthy, at any stage?

**Mr. Matt Moran:** No, I don't believe I had a robust conversation with Mr. McCarthy.

**Senator Sean D. Barrett:** Okay. Thank you very much.

**Mr. Matt Moran:** Thank you very much. Thanks, Chair.

**Chairman:** I just want to wrap up with a few matters there and just a couple of issues that were touched upon this afternoon maybe just so we can conclude with some further clarification upon them, Mr. Moran. I just want to return back to the interest roll-up figure again, €3 billion



for Anglo, and your earlier testimony saying that you really didn't have an awareness on this until the core documents were provided to you here. However-----

**Mr. Matt Moran:** Just to clarify, Chairman, I'm aware of interest roll-up in the bank. The exact level of €3 billion-----

**Chairman:** Okay, fine.

**Mr. Matt Moran:** -----I'm aware of through the documents provided to me.

**Chairman:** All right. In your opening statement, you do state, though, that the financial function ... or that a function of yours was responsibility for financial reporting and management accounting. Am I correct in that? That was in your opening statement, yes?

**Mr. Matt Moran:** Correct, Chairman.

**Chairman:** In simple terms, interest rates is the lifeblood of profitability within a bank. That's where the money gets made. Would I be correct in that regard?

**Mr. Matt Moran:** The interest rates?

**Chairman:** Yes, the charging of interest. It's as old as time. This is how banks make money.

**Mr. Matt Moran:** Absolutely. A differential between what you borrow the money at and what you lend it out is, ultimately, going to drive your profitability, yes.

**Chairman:** That's the oldest part of the banking model. Would I be correct there?

**Mr. Matt Moran:** I wouldn't disagree with you, Chairman.

**Chairman:** Okay. So, in that regard, how could you not have been aware of these numbers when interest margin is a key component of the bank's income?

**Mr. Matt Moran:** Well, the key focus of finance was to record, to take the data from the systems in the bank, and there is a financial method and an allowable method to recognise interest income, and that's what the bank did. And then the bank had a separate function, which provided an opinion as to whether that income, whilst recognised, then should be written down or impaired or a loss recognised. And in a bank, obviously, compared to all other businesses, that's a very separate and distinct function.

**Chairman:** But you have all this money out. You're not getting any income from it.

**Mr. Matt Moran:** Yes, but you've got to look at that, Chairman, with respect, on a loan-by-loan basis and risk, look at that and say-----

**Chairman:** €3 billion of it is the accumulated sum. €3 billion. It's not loan-by-loan basis; there's €3 billion of interest roll-up out there. That's not a small figure now, Mr. Moran.

**Mr. Matt Moran:** No, I agree with you, Chairman. That's a significant figure and that was across the loan book, I believe, in respect of development activities.

**Chairman:** Maybe you could just maybe explain as to why the head of compliance was involved in compiling a business plan.

**Mr. Matt Moran:** I think that was a request from the regulator, Chairman.

## NEXUS PHASE

**Chairman:** Okay, would that be normal practice in financial institutions for management and those to be involved in business generation, who are compliancy officers?

**Mr. Matt Moran:** Well, I think ... it was a business plan, Chairman, that had all aspects of the bank involved in it.

**Chairman:** Okay. Mr. Moran, as chief financial officer, would you have had detailed knowledge of the main elements of the account of the bank?

**Mr. Matt Moran:** Of the-----

**Chairman:** Of the accounts of the bank.

**Mr. Matt Moran:** I would have had ... yes, Chairman, I would have had knowledge of, you know, everything to do with the financial accounting system of the bank.

**Chairman:** So, maybe you could explain to us, then, why you would not have been aware of the level of interest roll-up into the accounts. These figures would have been generated by risk and they would have been part of the overall interest income figure of the bank.

**Mr. Matt Moran:** I think they would actually be generated by banking, not by risk, and so they would be generated by the banking system, which would record income and it would be properly recognised by us in finance. And then, if there was any potential delinquency to that income, it was a matter for risk.

**Chairman:** I'm just trying to figure this out in layman's terms, in that if I was operating a household like this - I mean, €3 billion - the bailout of the bank and the overall bailout of all the sums, I mean, we've moved into billions so, sometimes, we kind of, unless the extra zeros aren't there we don't recognise it as a figure. But, as you were saying earlier in your testimony, in early 2008 we weren't into those gigantic sums and all those extra zero spaces and guarantees. So, is your testimony under oath this evening, Mr. Moran, that you really weren't cognisant of the import of that €3 billion in interest roll-up?

**Mr. Matt Moran:** No, Chairman. Just to be very clear to you, I was fully aware that the bank was involved in providing interest roll-up facilities as part of its book. The bank had a significant element of development lending, for which interest roll-up was a natural feature. The quantum, and I say that very truthfully, the quantum of €3 billion, when I saw it, I was not aware of that level prior to receiving this document.

**Chairman:** Mr. Moran, as a senior executive responsible for key functions such as financial reporting and investor relations, how important a role did you feel that you played in maintaining the image of Anglo as a solvent bank with a low risk profile?

**Mr. Matt Moran:** As I said, Chairman, I was in the next layers of management below the board so I had a senior position and I-----

**Chairman:** Were you not important people, according to Senator Barrett there, in, kind of, presenting the retail window and the shop window of Anglo to make sure that everybody was seeing that you were in good shape?

**Mr. Matt Moran:** No, I was agreeing with you, Chairman, that I had a senior role in the bank and, you know, I played a role where I worked extremely hard to ensure that the bank position was understood and in 2008, clearly that was one of huge challenge. And how others

represent that-----

**Chairman:** I'll rephrase ... or, I won't rephrase the question, I'll give it back to you exactly, because the word "image" is the important part of the question here, and it's how important a role did you feel you played in maintaining the image of Anglo as a solvent bank with a low risk profile?

**Mr. Matt Moran:** I think I, like many others, Chairman, played an important role in that regard. Nothing ... nothing more significant in my role but I played a role in that and many others did as well.

**Chairman:** And in that regard, were your actions appropriate and did you carry out your duty to be open and transparent with the market in general as a publicly-quoted company?

**Mr. Matt Moran:** I believe, you know, as has been shown in the ... sorry, I want to be careful about what I say because of other matters, but I believe as a finance function, and in my role, we prepared our accounts appropriately and disclosed to the market appropriately.

**Chairman:** I'm ... I ... my question relates to my earlier question of you going out there and maintaining an image of Anglo as a solvent bank with a low risk profile. My question to you is, in that regard, were your actions appropriate and did you carry out your duty to be an ... open and transparent with the market in general as a publicly-quoted company?

**Mr. Matt Moran:** I believe that we always acted in a transparent manner with the market and, you know, provided what information was required of us. In 2008, there was a lot of noise and a lot of information in the market and, you know, others might have their own views and I can't influence that, Chairman.

**Chairman:** Okay. I still don't know if you've answered the question or not, so I'm going to give it to you once more. My question to you is that you played a role in maintaining an image of Anglo as a solvent bank with a low risk profile.

**Mr. Matt Moran:** Chairman, I believe that to be the case. I believe that in 2008 that the bank was solvent. I never believed anything different, Chairman. I think what's being demonstrated in what's provided here is that there were issues in terms of risk, and that's very clear and I-----

**Chairman:** Okay.

**Mr. Matt Moran:** That's been highlighted.

**Chairman:** Just be mindful of what you say.

**Senator Sean D. Barrett:** Thank you. No, just ... thank you, Chairman. Well, the NTMA, we've had in evidence, formed a different view. How did you respond when you knew that the NTMA would not put money on deposit in Anglo anymore? They obviously felt the nation's pensions, etc., were at risk.

**Mr. Matt Moran:** I had no involvement with the NTMA.

**Chairman:** Were you aware the NTMA were not putting money into you?

**Mr. Matt Moran:** I don't have any direct knowledge of that, Chairman.

**Chairman:** You never knew that.

**Mr. Matt Moran:** I heard elements in the bank that the NTMA had a low level of deposits but I don't have-----

**Chairman:** The NTMA had to be instructed to put money into you at one stage because they were so resistant to doing so. You were not aware of that?

**Mr. Matt Moran:** I ... I ... genuinely, Chairman, I didn't have any ... any activity with the NTMA. I was aware that the NTMA's deposits were low but I-----

**Chairman:** The Government weren't ... instructed the NTMA at one stage to put money into Anglo and the NTMA in evidence here said that they ... they ... Mr. Somers said he had to go away and get legal advice and then informed that on the foot of a ministerial direction he would actually put money in there. That was ... you were never aware of those issues, no?

**Mr. Matt Moran:** I don't have direct knowledge of them, Chairman.

**Chairman:** All right, thank you. I'm going to bring matters to conclusion, Mr. Moran. I'm to ... as with every witness, I'd like to allow you some space to maybe comment upon anything you'd like to further add. It could be ... it might even be some further detail, recommendations or any other comments that you'd like to make.

**Mr. Matt Moran:** Thank you, Chairman. Just, in summary, I hugely regret the outcome of the bank and the impact it had and, you know, there are significant lessons to be learned from that, clearly. And thank you for your time here today.

**Chairman:** Okay. Thank you. With that said, I'd like to thank Mr. Moran for his participation and for his engagement with the inquiry, to now formally excuse ... excuse you and to propose that we suspend until 16.50. Is that agreed?

**Deputy Kieran O'Donnell:** 16.15. Sorry, 6.15.

**Chairman:** 16.50.

**Deputy Kieran O'Donnell:** 16.50.

**Chairman:** Yes, thank you. Is that agreed? Agreed. Ten to five. Thank you.

*Sitting suspended at 4.35 p.m. and resumed in public session at 5.04 p.m.*

### **Irish Life and Permanent-Permanent TSB - Mr. David Went**

**Chairman:** Okay, so I now propose that we return back into public session. Is that agreed? Agreed. In doing so we will now commence session 3 of today, or 4 of today's hearings actually, with Mr. David Went, former group chief executive ILP-Permanent TSB. The Committee of Inquiry into the Banking Crisis now resuming in public session, can I ask members and those present in the public Gallery to ensure their mobile devices are switched off.

This afternoon, the focus of the inquiry is on Irish Life and Permanent and Permanent TSB. At this session we will hear from Mr. David Went, former group chief executive of ILP-Permanent TSB. Mr. David Went was appointed managing director of Irish Life Assurance plc Dublin