



Tithe an
Oireachtais
Houses of the
Oireachtas

Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

David Murray

Strictly Private & Confidential

As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, "documents" include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 ("the Act"), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

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

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

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

BANKING ENQUIRY

Opening Statement

With reference to letter dated 9th September 2015 Oir Ref DMU01 (DMU-i-02b) I respond by way of written document which I am sending by email.

I have responded to all the questions as best I can recall and will not be submitting any documents by way of support. I would also point out that I was never a member of the Board of INBS, never attended Board Meetings nor did I receive Board Packs. Also, I never served on any Credit Committee.

I joined Irish Nationwide in March 1994 as Treasury Manager and was made permanent in 1995. Irish Nationwide was the last of the four main Building Societies to set up a Treasury function. During my eighteen years in this role I was responsible for a number of key funding initiatives which allowed the Society to develop.

I left Irish Nationwide in June 2011.

RESPONSES TO DOCUMENT 1

1. Corporate Entertainment

- (a) The main focus of Corporate Entertainment by Irish Nationwide was by way of events held at Croke Park where the Society had a Corporate Box.

Clients including borrowers and depositors (non- wholesale) were invited to GAA matches and to Rugby and Soccer Internationals which took place for a couple of seasons at the venue. There were also invitations to concerts where were held at the venue.

There were other GAA functions which took place on All Ireland final days but I have no recollection of attending same.

- (b) I can only comment on Treasury Staff and to the best of my knowledge no member of Treasury was entertained by property developers or bank customers who had large loan exposures.
- (c) In my opinion, if the value was over Eur 250 it should be declared.

2. Loans to Deposit Ratio (LDR)

I have no recollection of any discussions on this matter during 2004 to 2008.

3. Liquidity

In September 2008 leading up to the issuing of the Guarantee I heard there were significant outflows from Irish banks and Irish Nationwide suffered large outflows. However, as I recall Irish Nationwide had a sizeable liquidity position pre September 2008 and the stress testing results confirmed this.

4. Liquidity and Crisis Planning

Liquidity was always a high priority in Irish Nationwide and as I recall from 2002 we targeted a ratio of 27% which was 2% above the required ratio.

When considering what ways we might raise additional funding we made the decision to undertake a residential securitization. This undertaking was an area we had considered in prior years but due to the then liquidity position we did not proceed. Irish Nationwide undertook its first residential securitization in 2009 raising circa Eur 1 Bln.

5. Wholesale Funding

As a Building Society, Irish Nationwide had restrictions on the level of wholesale funding it could raise. Under the legislation the Society had to have a minimum of 30% of its funding in the form of share accounts (personal savers). We would target a ratio of 35%.

This was clearly understood by the then Managing and Finance Directors and senior management. I cannot comment as regards other directors as I have no recollection of ever having a discussion with any of them on this matter.

6. Interest Rate Risk Appetite

Treasury maintained a low risk appetite at all times. Reports on risk were produced by the Finance Department. The reports were reviewed by the Society's Asset and Liability Committee and decisions taken were implemented by Treasury Department.

7. Interest Rate Risk Appetite

As I recall, the number of Tracker Mortgages issued by Irish Nationwide was six. Tracker Mortgages and other similar risks were not entertained. Again, this was clearly understood by Senior Management but I have no recollection of any discussions with the non- executive directors on the subject.

8. Capital Structures

I have no recollection of any discussions on Capital Structures.

Irish Nationwide did raise Lower Tier 2 Capital at some stage between 2002 and 2006. As I recall, the amount raised was Eur 250 Mln.

9. IAS 39

- (a) I cannot comment as I did not attend Board Meetings.
- (b) Again, as I did not attend Board Meetings, I cannot comment.
- (c) I cannot answer this question as I did not attend Board Meetings.
- (d) I cannot answer this question.
- (e) I am not in a position to answer this question. In hindsight it is my opinion that given what happened that provisioning should have been higher.

10. Liquidity and Solvency

On the night of the Guarantee I have no recollection of having concerns on the solvency of Irish Nationwide.

11. Prudential Policy Implementation

Initially, as I recall, I was not in favour of the new reporting standards in 2007. However, as I became familiar with them my best recollection is that I found them a helpful measure.

12. Relationship with FR/CBI

Up to September 2008 I have no recollection of much in the way of contact with personnel from both the Central Bank and the Financial Regulator.

13. Relationship with FR/CBI

- (a) I have no recollection on this. The Finance Department may have provided such reports.
- (b) I cannot answer this question.
- (c) As I recall, this information was possibly provided by the Society's Finance Department. From September 2008 Treasury did have daily contact with staff from the Financial Regulator on liquidity flows.

14. How would you describe your relationship with the Central Bank/Financial Regulator

I would recall that my relationship with both organisations was at all times cordial.

David Murray

23rd September 2015

