



Tithe an
Oireachtais
Houses of the
Oireachtas

Joint Committee of Inquiry into the Banking Crisis

Section 25 Statement of

NAMA

(re Michael O'Flynn¹)

Strictly Private & Confidential

¹Michael O' Flynn wished to have an opportunity under the provisions of the 2013 Act to reply to this statement. Although he made his request promptly upon learning of the statement, the Joint Committee had finished the evidence gathering stage of the Inquiry and declined his request. However, the Joint Committee acknowledges Mr. O' Flynn fundamentally disagrees with each and every aspect of this statement.

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."²

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.

² See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013



Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

Ciaran Lynch TD
Chairman of the Joint Committee
Joint Committee of Inquiry into
The Banking Crisis
Leinster House
Dublin 2

30 September 2015

Dear Chairman,

On 22nd July 2015, Mr Michael O'Flynn devoted a considerable part of his evidence to the Joint Committee of Inquiry into the Banking Crisis (Joint Committee) to setting out his personal views on NAMA's engagement with him and on NAMA's wider contribution in dealing with the fallout of the banking and property market crisis.

NAMA disputes a number of contentions made by Mr O'Flynn to the Inquiry and we wish to draw attention to the following points in particular. It must also be noted that while Mr O'Flynn is free to discuss his personal engagement with NAMA and that of the O'Flynn Group, NAMA, on the other hand, is constrained by law from disclosing details concerning its engagement with Mr O'Flynn and the O'Flynn Group. NAMA does wish to put on record that it dealt with Mr O'Flynn and the O'Flynn Group objectively, commercially and professionally.

1. NAMA has a difficult job to do on behalf of the State and Irish taxpayers in optimising the financial from the loans it acquired from the banks. Given the nature of its mandate, it does not expect to be popular with its debtors and there can at times be robust engagement by both sides in negotiating a commercial position. Regardless of vested interests, it will continue to work with its debtors in a consistent and reasonable manner that maximises recovery for Irish taxpayers.
2. Mr O'Flynn expressed personal views on aspects of NAMA's strategic approach and operations and presented his views as being self-evident. NAMA strongly disagrees with Mr O'Flynn's views.

In particular, NAMA absolutely refutes his contention that it is the:

"unpublished objective of NAMA to demonise and destroy developers of scale and that this at times overshadowed its statutory objective".

This contention is risible not least given the considerable financial support that NAMA has provided to debtors (large and small, including support to the O'Flynn Group over 4 years prior to the Project Tower loan sale). The fact that the majority of NAMA debtor connections, 70% by value, continue to work consensually with NAMA disproves emphatically Mr O'Flynn's claim.

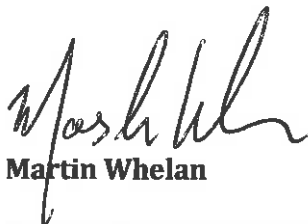
3. Mr O'Flynn presented a very negative view of NAMA's contribution to the resolution of the banking crisis and he assigned responsibility to NAMA for the shortage of current residential building in Ireland. In doing so, he ignored that fact that NAMA is the main funder of current residential development in Dublin. NAMA is currently funding residential development on 40 housebuilding sites in the greater Dublin area (roughly 50% of current housebuilding activity) and has committed to delivering 4,500 residential units by the end of 2016. Objective commentators, such as the IMF, EU, ECB, World Bank, the credit rating agencies, the CIF and indeed many of the witnesses before the Joint Committee, including two other larger NAMA developers, have all offered a very different perspective. Each of these disparate parties take a far more positive view on the appropriateness of NAMA as a response to the banking and property market crises in Ireland and on the effectiveness of NAMA's operations since its inception.
4. Mr O'Flynn offered the view that NAMA lacks experience in asset management and we strongly disagree with this. From the very outset of its operations, NAMA, through the NTMA, recruited staff with a diverse range of skills and experience from disciplines including banking, finance, law, insolvency, property development, asset management, architecture, engineering, surveying, planning, and construction. NAMA does in fact have the necessary resources, skills and experience to successfully fulfil its asset recovery and asset management mandates. Indeed, an important rationale for the establishment of a single asset management entity in Ireland was the requirement for specialist skills, particularly specialist real estate skills, which had not been available in banks responsible for the pre-crash lending to this asset class.
5. Mr O'Flynn's contention that his Business Plan was dismissed without consideration is not supported by the facts. There was a dedicated asset recovery team assigned to the O'Flynn Group and the NAMA Board gave very thorough and comprehensive consideration to Mr O'Flynn's Business Plan. Ultimately, the NAMA Board did not consider that the OFG 2010 Business Plan represented the best option to optimise the financial return to Irish taxpayers. Following consideration of the O'Flynn Group Business Plan, the NAMA Board proposed an alternative strategy and following lengthy and detailed negotiations, entered into a comprehensive restructuring with the O'Flynn Group in 2013.

6. Mr O'Flynn's contention that the O'Flynn Group was subject to pressure to sell a property in London to a bidder for a price lower than had been offered by another bidder is not supported by the facts. The property was openly marketed through a property agent appointed by Mr O'Flynn. Mr O'Flynn formally recommended to NAMA that the property be sold to the highest bidder to emerge from that open market sales process on the agent's guidance that the price achieved set a "*new record yield*". Subsequent to that, Mr O'Flynn then recommended that the property be sold to another party who had not participated in the open market sales process. In any event Mr. O'Flynn did not proceed with any of the bidders and the sale of the property did not proceed while the OFG loans were held by NAMA.

7. On the issue of Personal Guarantees (PGs), and his most serious allegation that the CEO NAMA may have misled the PAC, that is refuted. The factual position is as set out in the attached transcript from the Dáil Public Accounts Committee hearing of 13 January 2011 which clearly shows that the CEO was very precise in his wording.

We would ask the Inquiry to note the above in its consideration of Mr O'Flynn's evidence as it relates to NAMA.

Yours sincerely,



Martin Whelan

Head of Relationship Management