

31 May 2012

Meeting with IBRC (the bank) re Governance matters

In attendance

Alan Dukes

Mike Aynsley

Ann Nolan

Michael Torpey

Danny Buckley

For the purpose of the meeting AN used the attached briefing note as an agenda. The briefing note was not shared with the bank's representatives. Items in *italic* did not arise at the meeting but are items for noting.

Items discussed:

AN opened the meeting by indicating that she was now the lead on financial services matters in the DoF. As part of this it was indicated that she was meeting with each of the banks' senior representatives.

Appointment of CFO

- AN noted that the DoF completely refuted that the DoF's position in relation to the appointment of the CFO had not been made clear at a number of meetings and additionally that the provisions of the relationship framework in effect at the time did not allow for consent to be imputed in the event that it was not provided even after the lapse of time.
- AN then read a number of the questions set out in the briefing and asked the bank to respond.
- AD noted that considerable time had passed and as a result the board had approved the appointment. However, he noted that the RF does not say that silence did not mean consent.
- In relation to when the CFO was appointed on a full time basis neither MA or AD knew when this appointment was made. There was a brief rehearsal of the period up to September (ie resignation of Maarten vE, approval by CBI in September followed by consent request from the Minister on 11 October [*Note: this would appear to be an error as the request is dated 3 October*]). The October request for consents arose as a result of changes to GEXCO. AD indicated that the appointment was formalised at a board decision in either November or December 2011 [*Note: from our review of the board packs there does not appear to have been a board meeting in December and the November meeting was on 30 November which was after a meeting between AD and JAM on 24 November with JAM where it had been indicated that the DoF intended to appoint its own CFO*]
- AN indicated that there was no particular issue with the individual involved. As a result, and to put the matter behind us, AN said that a letter which effectively apologised (or some other conciliatory language) for the appointment outside of the terms of the relationship framework.
- AD said that he would draft a letter which he hoped would be mutually acceptable.
- AD also requested that AN in her new role would attempt to ensure that all consent requests were responded to on time. AN stated that it was her firm intention that this would happen.

Appointment of executive director

- AN noted that there were reputational concerns in relation to the bank and that there was certain mood music in relation to IBRC. The Minister and the DoF therefore felt it would be constructive if there was an executive director appointment. This would help build the relationship and trust between the DoF and the bank. The attendance of the DoF at board meetings was also considered a useful step in this regard.
- AD questioned why there was such mood music.
- AN Nolan felt it was down to trust, personal relationships and constant bad feedback from the press and others.
- It was agreed that no matter what steps were taken that these issues could not be eliminated.
- AD noted that the bank was already doing due diligence on the DoF's 2 recommended candidates for the board. He further pointed out that he didn't know if they would pass through due diligence or whether they would be a success on the board. AD also noted that he thought this was an odd process as the DoF did not know either of the candidates yet it was still putting them forward.
- AN said that this was the Minister's position and she would not comment on it. AN then indicated that she would like to meet with the non executives.
- In relation to the appointment of the executive directors, AN said that the DoF did not yet have someone in mind. AN noted that she would liaise with AD on this appointment.
- MA indicated that he too should also be involved in the process as the appointee would report to him. AN said that management level interaction would be with MT and would also be considered. MA wanted to understand the process. AN said that the process had not yet been approved by the Minister so it was not yet appropriate to discuss. Furthermore AN wanted to discuss the current composition of the board and management so that the appointment could be tailored appropriately. MA suggested that COO may be such a role and that perhaps it could be someone from the current management team. AN said that it could be someone from the current management team, but that it was probable that it would be an external candidate.
- AD noted that the board under DOC had decided in 2009 that there would only 1 executive director as this was the norm in State bodies. AN said that things had moved on and in certain instances, such as NAMA, the Minister had requested that there be 2 executive directors.
- As an aside, AD noted that as the bank got smaller that it was important that this was not translated into meaning that the quality of the team could be allowed to deteriorate.

Recruitment

- AN drew parallels between NAMA and IBRC and felt that recruitment should be on bases similar to that seen in NAMA. MA indicated that as a bank there were differences but AN noted that the business objectives were the same.
- AN noted that NAMA had written in relation to term incentivisation and retention plans. Under these plans, staff could be paid, as part of their package, if certain targets were achieved. This payment would not be an annual payment but would try and retain staff in the medium term.
- AN noted that the DoF would be completing a pay review in the coming months and as part of that review the salaries of IBRC would be considered, perhaps benchmarking against NAMA.
- MA noted that the bank was in the process of finalising a report benchmarking their salaries which might be helpful for the DoF. AN agreed that this report would be considered as part of the DoF's review.

- MA noted that they were losing people to other banks who were now trying to do what IBRC had been doing over the past few years. Effectively IBRC had trained them and now the other institutions were going to take the benefit of that training.

Reputational matters

- Siteserv – AN noted that this transaction had received a lot of negative press coverage. AN noted that she had heard, from a reliable source, that there was a higher than the price accepted.
- AD requested what this source was. MT noted that he had not verified the item himself but that the source was very reliable. [REDACTED]
- MA noted that a process was run which included termination dates. An offer was received but it was received after the termination date had passed and it could not therefore be accepted.
- AD noted that the board had been through this in detail and was comfortable with the transaction. Furthermore, the bank could have made press statements to justify the decisions taken but it had been decided that this was not in the bank's best interests
- MA noted that that the CBI was reviewing the transaction.
- It was agreed that DB would review the papers on Siteserv to better understand the transaction
- AN noted that given the circumstances in which the bank operated and the high numbers of PQs on one particular appointment that it was critical that the bank operated in a manner which could fully stand up to scrutiny
- MA noted that Topaz was another case where there was likely to be publicity given issues between DO'B and O'Leary.
- MA was also noted that [REDACTED]

Apthorp

- [REDACTED]
- [REDACTED]
- MA & AD went into the commercials of the transaction. In particular it was noted that this loan was included in the US portfolio disposal and if a price of [REDACTED] had been achieved as part of that process there would have been no specific consideration of this loan whether there was a provision or not. AD noted that there were elements of the US portfolio where holding the asset would have yielded a better return, however, the strategy adopted, with the agreement of the DoF, was that there was more to be gained in selling this portfolio in its entirety.
- AN noted that, while she was not approving or otherwise the commerciality, that this was not what the issue was. It was the governance concerns which were what had to be addressed.
- AD noted that he had met with the individual concerned on 30 May. The individual did not yet feel that his concerns had been addressed. When the individual concerned was asked if he would make an allegation in relation to the pricing / provisioning he was not in a position to do

so. MA also pointed out that it was important to note that the provisioning is inherently highly subjective.

- MA stated that Deloitte had been engaged to carry out a review of the transaction process. He also said that the previous CRO was comfortable with the provisioning and the transaction and that the current CRO was also comfortable.
- AD noted that the bank had strong processes in place and had a speak up programme to facilitate concerns to be raised with the CEO or the board. He noted that no matters had been raised under the speak up programme during his tenure.
- AN noted that it was important that the focus of the review was on the governance issues and not focussed on the whistleblower.
- AD noted that he did have a governance issue to address.

Reporting

- AN noted the private members motion in relation to transparency and suggested that the bank consider what information it could legally provide in relation to assets held for sale
- AD & MA to consider further

The meeting ended