

Meeting of Minister with Chairman/CEO IBRC, Thursday 25th July 2012

Attendance: Minister for Finance, Michael Noonan (Min)
Chairman IBRC, Mr Alan Dukes (AD)
CEO IBRC, Mr Mike Aynsley (MA)
Secretary General, Mr John Moran (JM)
Mr Michael Torpey (MT)
Mr Gary Hynds (GH)

The Minister opened the meeting stating that he was concerned at the constant stream of issues that are arising in IBRC which is in contrast to his experience with AIB and Bank of Ireland. The Minister stated that given his accountability to the Oireachtas he was very uneasy with the relationship as it stood and he was seeking explanations on a number of specific issues. The Minister also noted that his confidence was 'wearing quite thin' at this stage.



MA stated that the communication channels with the Department are not working as they should. They are not getting clear feedback on what the shareholder is upset about and as a result they get 'torpedoed' at meetings such as this. He also stated that there is a lack of clarity around the operation of the Relationship Framework.

MT responded stating that in relation to SiteServ it was not clear to us that the choice to allow SiteServ to lead the sale process was the best decision for IBRC. We were also concerned with the noise around the transaction whether it is justified or not. In relation to Aphorp we were concerned with the issues raised in the memo but we were also concerned with the processes in place in the bank that resulted in these concerns not being relayed to the Board and as a result decisions were being made in a vacuum which could result in sub optimum decisions for the bank. In addition we also had concerns about the number of issues that were leading to increased media noise and a high level of PQs being put to the Minister.

AD stated that IBRC was operating in a very sensitive environment with a lot of high profile customers and that this would inevitably lead to significant public interest. In relation to Aphorp he was disappointed that the individual involved did not formally approach the CEO or him to discuss the issue before approaching the Department. He reaffirmed that both the SiteServ and Aphorp transactions were thoroughly assessed by the Board.

JM stated that he was not close with the specific issues but he was concerned with the relationship. He also stated that he was unhappy that appointments to the Board that were signalled over a year ago were still not in situ.

AD disputed this timeline stating that the names were only formally put forward at the meeting of 5th April 2012. AD then went through the process completed since that time and confirmed that the appointments would attend the September Board meeting subject to CBI approval.

JM confirmed that he met the two individuals concerned last year and that the names were mentioned in November 2011. He also made it quite clear on a number of occasions that he wanted individuals appointed to improve the relationship between IBRC and its shareholder and that he expected that efforts would be done to do that straight away. JM then stated that the Department had also made it clear last year that they wished to appoint an Executive Director and that this was still stifled due to the outstanding issues regarding the CFO appointment.

MA stated that a letter was sent on 3rd October last year where the status of the Senior Management team was clearly set out. AD then confirmed that a draft letter was shared with Ann Nolan earlier this month to provide further clarification in relation to this issue.

MT stated that consent for this appointment was never provided and that meetings were held in Nov and Dec 2011 where the Department raised concerns. To date the Department had not received confirmation of when the appointment was made nor have we seen Board papers where the appointment was considered.

AD asked what was the Departments view of the capacity of the IBRC management team? He went onto state that the Board had made some replacements but that they were happy that they now have a good team in place.

Min stated that the Department is acting on his behalf and that he wants a relationship in place that works and mirrors the relationship in place with other institutions. Those relationships are well managed with only occasional input required from the Minister. He is concerned with the high level of PQs, rumours and briefs that are arising in relation to IBRC and that efforts to correct the relationship to date have not been successful. Min was concerned that he had a serious problem insofar as he is accountable and stated that he is "not confident at present that the relationship is sufficiently secure to maintain my confidence in reporting to the Dáil."

AD responded by saying that IBRC should be asked specific questions and not continually asked to explain issues as they arise and that the Board are acting in the very best interests of the taxpayer at all times. AD also confirmed that where significant issues were at stake (e.g. US Loan sale) that the relationship has worked quite well. However remuneration is a very difficult issue for IBRC. MT stated that IBRC are losing significant numbers of staff to AIB and NAMA and that this will have a material impact on the business.

Min asked how AIB and other banks were managing to operate within the guidelines subscribed and asked have IBRC been increasing pay levels.

MA confirmed that individual increases had been given but not across the board. MA then listed the actions taken by management to exert downward pressure to date.

MT asked how remuneration policy compared with NAMA. MA stated that they were losing staff to NAMA on a regular basis and that they do have a bonus scheme or a generous pension scheme. MT asked what MA thought of the package values in NAMA generally compared to IBRC and suggested that NAMA staff had a similar skill set and that he would support a like for like remuneration policy in the institutions.

JM raised the Internal Auditor request as an example of the unreasonable requests being made. MA stated that the cost was driven by a short term need for a critical resource and that they have made great efforts to reduce the cost of professional fees generally.

AD stated that they were unhappy with the current situation whereby staff were trained in IBRC and poached by other institutions.

Min asked was there any substance to the rumours that emanated from the McKillen / Barclay Brothers case in the UK where there were charges of close relationships?

MA confirmed that the bank has large clients and that the relationship must be close but that they are not inappropriate. The clients are managed to ensure a maximum return on all loans. In relation to the McKillen case great efforts were made to ensure that there was a consensual restructuring of the loans to maximise the return to IBRC. MA confirmed that the relationships with McKillen and Denis O'Brien are strong but not inappropriate and that he may have had about 4 dinners/lunches with both individuals.

Min asked specifically about the texts exhibited in the McKillen case. MA stated that McKillen does not email much and prefers to deal by text. Following the board meeting on the issues regarding his account he was charged with communicating the decision to McKillen and this was done via text. MA confirmed that while there was some further correspondence he maintained an appropriate position throughout.

AD stated that this was just one of a number of examples of where there is a noise made because of the personalities at play and that there is likely to be further noise in relation to their relationship with Topaz also as it is connected with Denis O'Brien.

MA stated that IBRC are not creating these issues and that they are managing inherited issues in the best manner possible to achieve the best result for the State. Much of this noise is generated by unhappy parties that have been unsuccessful in their dealings with the bank who then run to the press. MA cited SiteServ and EcoCem as examples of this.

JM stated that he was concerned where problems keep arising and that NAMA/AIB have similar legacy issues but we do receive anywhere near the same level of questioning in relation to those institutions. It is important that IBRC are clean in all of these dealings given the increased public scrutiny. To do this JM suggested that there should be a greater integration of the teams and that the Department will seek to appoint some people into the organisation to make us feel more comfortable.

AD stated that there are a lot of questions in relation to NAMA but they come in a different form. In relation to integration they need to clearly understand what it is the Department wants to know. IBRC already provide a significant amount of information through Board and Committee packs. MA stated that they do not understand what the issues are until they arrive on the Ministers desk. AD then raised the issue that arose in 2009 surrounding the valuation of NAMA bonds where there was a view of the Department and the NTMA that they were being obstructionist and that this was not the case.

JM suggested that there should be a process where staff could be transferred or seconded from other State Institutions to IBRC to improve the level of integration. This was a process that worked well in the Department and that it now appeared that IBRC had a significant need for additional resources. JM suggested that it may also be an option to get another institution such as AIB to provide functions such as HR to IBRC and second other individuals at various levels in the organisation.

MA stated that while he was not adverse to the idea they needed to be key staff. AD suggested that a transfer of the HR function may not help with integration.

JM suggested that given the many remuneration issues that were arising he thought it might be a good idea.

AD stated that he didn't believe the communication issues were as bad as they seemed and that certain units are working very well together including the Balance Sheet Management team in relation to the Tap and Swap project. MA suggested that the issue was a senior relationship problem and that it needed to be addressed on a one to one level as they are not getting the feedback they need to correct matters.

MT agreed that there has been some very good collaboration in the past and the breakdown appeared to be at senior management and policy levels.

MA suggested that he and JM need to discuss. JM stated that it was his team that he needed to get comfortable with the relationship.

Min agreed that a meeting should take place between the CEO and JM. He also indicated that the relationship with NAMA is very good as a result of a good flow of information between the Department and the institution and there is only a limited need for him to get involved in the day to day issues. Min confirmed that he would also meet with AD to discuss further. The Min confirmed that he would take up the offer to meet the Board of IBRC and noted that the Chairman was to remain in place for a further year.