HOUSES OF THE OIREACHTAS

Volume 2 **No. 7**
Morning
No. 8
Afternoon

AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉIREACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Déardaoin, 30 Aibreán 2015

Thursday, 30 April 2015

The Committee met at 9 a.m.

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.

Nexus Phase

Bank of Ireland - Mr. Brian Goggin

Chairman: So with members' permission, we'll go into public session. Is that agreed? Agreed. As we have a quorum, the Joint Committee of Inquiry into the Banking Crisis is now in public session. I ask members and those in the public Gallery to ensure that their mobile phone and devices are switched off.

This morning's session is a public hearing with Mr. Brian Goggin, chief executive officer, Bank of Ireland. I would like to welcome everyone to the 22nd public hearing of the Joint Committee of Inquiry into the Banking Crisis. This morning we will hear from Mr. Brian Goggin, former group chief executive at Bank of Ireland. Mr. Goggin joined Bank of Ireland in 1969 and served in a variety of senior management positions within the Bank of Ireland group in the United States, Britain, and Ireland. Mr. Goggin served as chief executive, corporate and treasury, and chief executive, wholesale financial services. He also served as chief executive officer at Bank of Ireland asset management services. From June 2004 to February 2009, Mr. Goggin served as group chief executive officer at Bank of Ireland. Mr. Goggin, you're very welcome to the proceedings this morning.

Mr. Brian Goggin: Thanks.

Chairman: Before I begin, I just wish to advise you that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of 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 so do, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that only evidence connected with the subject matter of these proceedings is to be given and I would 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. 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, those documents must be displayed on the ... or will be displayed on the screens to your left and right and members of the public and journalists are reminded that those documents are confidential and should not publish any of the documents so displayed. The witness has been directed to attend the meeting of the Joint Committee of Inquiry into the Banking Crisis and you've been furnished with booklets of core documents. These are before the committee and will be relied upon in question and form part of the evidence of the inquiry. So if I can now ask the clerk to administer the oath please.

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

Mr. Brian Goggin, former Group Chief Executive, Bank of Ireland.

Chairman: So once again, thank you Mr. Goggin for being here this morning and if I can ask you to make your opening remarks please.

Mr. Brian Goggin: Thank you Chairman.

Good morning Chairman, members of the joint committee. I welcome this opportunity to appear before the inquiry and I will, of course, be as helpful as I can to assist you in your work. As you are aware, I have already submitted a witness statement, which addresses the lines of inquiry as requested by you. I will not repeat or summarise my witness statement here, but I will make some short introductory remarks.

I spent just short of 40 years at Bank of Ireland. I was group chief executive for the last of those 40 years until my retirement in 2009. My lifetime career covered both retail and wholesale banking, and I held senior management positions with the group in the US, the UK and in Ireland. During my time with Bank of Ireland, I always endeavoured to do my job to the very best of my ability in the interest of the bank and in the interests of all of its stakeholders.

As you will be aware, Bank of Ireland is a long established entity, which has played an important role in the Irish economy since it opened its doors in 1783. Bank of Ireland has, down through the years, fostered a culture which is based on sound judgment and prudent decision-making. To put it in simple terms, Bank of Ireland has a more conservative approach to banking than many of its peers. This conservative philosophy continued, notwithstanding the significant growth that occurred during the period from 2000 onwards. Rolling five year strategies were adopted by senior management and the board in 2001, 2002, 2003 and 2004. Loan book growth in each of the markets in which we operated was an integral element of strategy throughout this period.

When I assumed the role of CEO in 2004, there were a number of factors impeding the bank's ability to achieve breakthrough in performance. As a group, Bank of Ireland had evolved as a collection of related but autonomous businesses. We found ourselves with multiple processes and systems and fragmented support infrastructure and an inability to avail of scale benefits. We were failing to adequately manage our costs, our relative financial performance was mediocre and our total shareholder return was in decline. As CEO, I was committed to addressing these factors.

In 2005-06, we undertook a new strategy development process. Over a nine month period, from September 2005, we undertook extensive work, using leading international expertise, to get a fuller understanding of the international trends driving the financial services environment and competitive scenarios. To identify implications and options for the bank, we undertook a robust process with significant involvement and challenge from the board. From this process we determined the following: (a) that the economic outlook for our key geographies would be broadly favourable with sustained GDP growth and low unemployment in our chosen markets; (b) that we would be able to support growth, including capital and liquidity through securitisation and wholesale funding; and (c) that we would build on our core capabilities in existing developed geographies, rather than new areas; and finally that we would grow the loan book in a diversified way. The board approved this strategy in July 2006.

As things transpired, the growth of Bank of Ireland's loan book during this period generally reflected economic expansion and the overall growth of the market. There was growth in each of mortgage lending, consumer lending, SME lending, corporate lending, property and construction lending. Of course, it is now obvious that the absolute amount of property and construction lending was too much. The economic shocks in Ireland and the UK exposed this vulnerability with crystal clarity. While the consequent fall out from this was considerably better than our peers, this is of cold comfort. Basel II regulatory obligations dictated that the bank undertake an internal capital adequacy assessment process to assess capital adequacy against the banks risk profile. This was undertaken in early 2007 and the results were submitted as required to the financial regulator. Bank of Ireland considered three different stress scenarios as part of this process, the first we assumed oil prices would reach $200 a barrel and remain there for an extended period. The second stress was a significant reduction in foreign direct investment in Ireland due to material changes in the corporate tax rate; and the third stress was a sudden drop of 20% in Irish and UK residential property values.

We considered these scenarios to be severe at the time, they were considered in fact to be in the one in 25 likelihood of occurring within a one year time frame. We did not believe that we were vulnerable to a shock of this extent, however we were wrong. As we know now the severity of what ultimately occur was considerably greater than this. According to the Oliver Wyman review of risk governance in Bank Of Ireland undertaken in 2009 the bank stress position was ultimately due to the combination of the severe downturn in the Irish and UK economies and the lack of liquidity in wholesale markets. There was an assumption in the 2006 strategy that Bank of Ireland's core lending business could be grown strongly and that the required funding could be sourced. As things transpired both of these assumptions were flawed, unless we had taken a very contrarian position relative to peers, Bank of Ireland was naturally exposed to the macro risks in our core markets of Ireland and the UK.

Oliver Wyman also identified three broad limitations which contributed to Bank of Ireland's stress position: one, risks in the core business and strategy may not have been fully appreciated; two, risk management and control was not geared towards understanding the aggregate risk profile; and three, the link between the overall exposure limits and the risk appetite statement was incomplete and dependent on expert judgment. While improved risk governance structures in particular the availability of consistent risk information would have helped the bank to more fully realise the amount and nature of the risk it was accumulating at an earlier stage and potentially reduce the impact of the crisis, the banks fundamental difficulties arose primarily because the strategy did not anticipate the exceptional extent of the reduction in property values combined with the contraction in wholesale money markets.

I personally deeply regret this failure and its consequences. Not withstanding the fact that the state has been repaid in full by the bank, I regret that state assistance was required to support the bank and that shareholders lost a significant proportion of their investment ion Bank of Ireland. I am very sorry that this ultimately happened on my watch. Throughout the 2000s my colleagues and I together with the board made judgments based on what we genuinely believed were solid grounds following thorough analysis and significant challenge. These judgments good or bad, were always made in a considered fashion and in good faith. It is encouraging today to see Bank of Ireland make significant progress in its own recovery and in the recovery of the Irish economy. The states support for the bank at a pivotal point in its history has been profoundly instrumental in facilitating this recovery. Thank you, Chairman.

Chairman: Thank you Mr. Goggin for your opening statement. Just before I bring in Deputy McGrath I just want to clear up one matter which arose with our engagement with Mr. Gleeson next week, he subsequently further elaborated on it. I just want to bring up Document one, Volume ... it will come up on your screen there. I just want to bring up document number, Vol. 1.

Mr. Brian Goggin: Which document is that?

Chairman: The document will come up on your screen there. It relates to Mr. Gleeson. It is AIB - C3b. It will be on your screen and it relates to Mr. Gleeson's notes on the events occurring on Monday.

Mr. Brian Goggin: Sorry Chairman, is this in my core documents?

Chairman: No. It comes back as correspondence that came back from Bank of Ireland subsequently as well in relation to it.

Mr. Brian Goggin: Okay.

Chairman: It's on the screen in front of you. Mr. Gleeson just says that, if you look at the top of the screen there, "The final point I made related to the form of the guarantee; an initial draft had been furnished (I think by Bank of Ireland) and was in a form which we thought too bare." He then goes on to say, "I mentioned that a guarantee had to read correctly to technical eyes in Foreign [Central] Banks (I mentioned Peru, Libia (sic) and Russia. We furnished a more extensive formula (which we had brought with us)." He subsequently went into his own area on this. It is just to confirm ... Deputy McGrath will go into this in detail then. Did Bank of Ireland come that evening with a prepared document or formula of words or a note as to how the guarantee would be structured?

Mr. Brian Goggin: No. Bank of Ireland did not have any document with it on that evening.

Chairman: Okay. Thank you. Deputy McGrath.

Deputy Michael McGrath: Thank you very much, Chair, and you are very welcome, Mr. Goggin. I will start by putting some stats on core booklet, BOI - Vol. 2, page 29. It is Project Atlas.

Mr. Brian Goggin: Page 29?

Deputy Michael McGrath: Yes. Vol. 2, BOI. It will come up on the screen.

Mr. Brian Goggin: I just need to get out my own here, because I have my notations, to the extent that I have any, on this document. 29 yes?

Deputy Michael McGrath: Yes. Extracts from Project Atlas. I am just really setting the scene, Mr. Goggin. The bank's property loan book was €38 billion at the end of September 2008. Of that, €13.1 billion related to land and development exposures. The top 70 land and development loans represented 39% of the total land and development loan book. My question for you is: how could a traditional conservative bank with a proud history of well over 200 years end up so exposed to one particular sector of the economy and end up having to get a bailout of €4.7 billion from the State?

Mr. Brian Goggin: Let me just put these numbers in context, Deputy. You've picked out a segment of the Bank of Ireland balance sheet here. At 30 September 2008, Bank of Ireland had total loans of €145 billion. Residential mortgages made up 44% of that; property and construction, 26%; SME and corporate lending, 25%; and consumer and other, 5%. I should also add that of the €145 billion, 43% was in Ireland, 49% was in the UK, and 8% was broadly in the rest of Europe and in the US. I don't believe that Bank of Ireland was disproportionately exposed or active in the property and construction sector. I think the issue that affected the Bank of Ireland was the absolute amount in money terms of that exposure. Bank of Ireland had quite a broadly diversified loan book in its totality.

Deputy Michael McGrath: Sure. But do you think in hindsight the bank took too much risk in terms of lending to the property and development sector?

Mr. Brian Goggin: I think you actually would need to look behind what was in property and construction. Property and construction, I think, as you indicated, was €38 billion. 65% of that was in investment property, property that was generating a contracted rental flow and, you know, stood on its own feet. Of the €38 billion, €13 billion was in land and development. And, even again, I think you'd need to look behind that. €5.4 billion of that €13 billion was in land bank. I think that is where the real problem was - in land bank, but it's interesting in terms of just looking at that aspect of the risk portfolio. Pricewaterhouse conducted a review for the Financial Regulator and it looked at the top 30 land bank transactions in the period 2005 to 2007. To reinforce Bank of Ireland's relative conservatism, Bank of Ireland's share of those 30 largest land bank transactions was 3.5%. I'm not excusing the fact that Bank of Ireland got into difficulty and required assistance. I mean that's a matter of record. I think it is important that I put your question and the nature of the particular risk segment that caused the greatest difficulty in the overall context of a pretty broadly based and diversified bank.

Deputy Michael McGrath: Sure. And ... but just back to the question in terms of whether or not you believe there was an over-concentration of risk in the property development construction sector by Bank of Ireland, in your-----

Mr. Brian Goggin: No. I don't believe there was an over-concentration. I think it was the absolute amount given the subsequent collapse in prices. Look, no matter how conservative-----

Deputy Michael McGrath: But they are very related.

Mr. Brian Goggin: Sorry?

Deputy Michael McGrath: The ... the actual sums of money involved, the nominal value-----

Mr. Brian Goggin: Oh yes, yes-----

Deputy Michael McGrath: And in question of whether there was an over-concentration, they are directly linked.

Mr. Brian Goggin: Well ... I ... Well we can argue the numbers, but look, the bottom line is, that this is where-----

Deputy Michael McGrath: Did you take too much risk?

Mr. Brian Goggin: Did we take too much risk? Yes, we took ... we did.

Deputy Michael McGrath: Can I take you to the NAMA discounts? So it's on the NAMA booklet, C4b-----

Mr. Brian Goggin: C ... Hold on ... hold on a second.

Deputy Michael McGrath: Yes. NAMA C4b, Vol. 1. And it's just one table, and I'm sure you know this-----

Mr. Brian Goggin: No, I-----

Deputy Michael McGrath: -----off by heart anyway.

Mr. Brian Goggin: Hold on a second, Deputy. Hold on.

Chairman: We will give you plenty of time Mr. Goggin, no worry.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: I don't have a C4b. Is that a Bank ... is that a Bank of Ireland document? Is that a Bank of Ireland core document?

Deputy Michael McGrath: No, NAMA. But-----

Mr. Brian Goggin: I don't have NAMA documents.

Chairman: Well we can provide it to you. It will come up on the screen.

Deputy Michael McGrath: It's quite a broad question, the NAMA discounts on the acquisition of Bank of Ireland loans was considerably less than your peers.

Mr. Brian Goggin: Yes.

Deputy Michael McGrath: It came in at 44% according to this extract from the Comptroller and Auditor General report. What is your reaction to that, even though it is less than the other banks, it is still a very high discount applied to property land development related loans that NAMA would've acquired from your bank?

Mr. Brian Goggin: Yes, my ... I don't have the document you are referring to, but-----

Deputy Michael McGrath: It's on the screen there. It's just the 44% figure.

Mr. Brian Goggin: I can answer your question, certainly. I will. Well, I can offer ... I can offer to your question, Deputy. My research in preparing for meeting you today indicated to me that the Bank of Ireland discount was 43% and the average discount for remaining banks, excluding Bank of Ireland, was 59%. Now that's a significant difference, I think you've-----

Deputy Michael McGrath: Yes.

Mr. Brian Goggin: -----indicated that yourself. However, 43% is one whopping discount for any bank-----

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: -----to experience. So, you know, I was surprised at the level, as I mentioned in my opening statement, I take cold comfort that Bank of Ireland was relatively better off. That's not the point. But, I suppose when you look at what actually happened here and the scale of the reduction in property values, there was no market in 2010, when I think the first transfers to NAMA occurred. And my recollection also is that the original concept of NAMA, and I was retired when NAMA was created, but my recollection was that NAMA was to acquire assets from the banks at medium-term economic value. I'm not sure, looking back on it, that the discounts applied, and they obviously would've varied by bank, reflected medium-term economic value. Maybe what we're actually seeing today is more reflective of medium-term economic value. But look, the bottom line is, the discounts were significant. It was a significant discount for Bank of Ireland and that's what gave rise to the need for additional capital injections-----

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: -----into the Bank of Ireland, to be perfectly honest about this.

Deputy Michael McGrath: Yes. Can I just raise the issue of loan-to-deposit ratios and there are some figures quoted on BOI - Vol. 2. Again, it's an extract from Project Atlas. So it's page 22 of that booklet ... booklet. BOI - Vol. 2.

Mr. Brian Goggin: Page ... Hold on. I'm a bit slow at this, I'm sorry, I'll speed up as the morning goes on.

Deputy Michael McGrath: No problem, take your time.

Mr. Brian Goggin: Page ... Again, page? Page?

Deputy Michael McGrath: Page 28-----

Mr. Brian Goggin: Yes, got it.

Deputy Michael McGrath: -----of BOI - Vol. 2. So again, just looking at the issue of ... of the loan-to-deposit ratios and as you can see, in the green box there-----

Mr. Brian Goggin: Yes, got it.

Deputy Michael McGrath: The ratio is 159% at the end of September 2008. I understand it had gone to a high of 176%. Now, can I ask you, why do you believe the loan-to-deposit ratio went so high, and was it too high in your view and what would you regard as an optimal loan-to-deposit ratio for a bank of your size?

Mr. Brian Goggin: Sure. Well the reason, and I am conscious that it was higher at 159%, I think you mentioned 173%-----

Deputy Michael McGrath: Yes, 176%.

Mr. Brian Goggin: Yes. The basic reason for that, was that Bank of Ireland relied extensively on the wholesale funding markets, in particular ... in particular, the residential mortgage business that Bank of Ireland acquired and developed in the UK, with the original Bristol & West acquisition. That business, which had about €30 billion equivalent of mortgages, was entirely funded through the wholesale markets.

Deputy Michael McGrath: Was there an over-dependence on the wholesale markets for liquidity and funding?

Mr. Brian Goggin: Oh absolutely, when one considers and reflects on what happened. There's nothing with wholesale markets. It's a perfectly legitimate way in which a bank would fund itself and the markets, you know, throughout the 2000's were extremely deep, extremely liquid, Bank of Ireland had a range of instruments - you will have seen those in your documents in terms of how it was accessing wholesale funding but yes, when a wholesale market freezes, I mean the securitization markets were long established, a deep source of funding for banks across the world. I mean the securitization markets in late 2007 or maybe it was early in 2008, they actually froze. We were dealing with circumstances that we had never experienced before. Yes, in an environment like that where your source is withdrawn, you'd clearly be better off not having to rely on it. It was a reasonable and a perfectly acceptable assumption underpinning our business model and our approach.

Deputy Michael McGrath: What assumption?

Mr. Brian Goggin: Of accessing wholesale markets.

Deputy Michael McGrath: But it didn't work out?

Mr. Brian Goggin: No, it didn't, well-----

Deputy Michael McGrath: The markets dried up.

Mr. Brian Goggin: Well, the wholesale markets collapsed.

Deputy Michael McGrath: Yes.

Mr. Brian Goggin: You know, I think-----

Deputy Michael McGrath: So the assumption was wrong?

Mr. Brian Goggin: The assumption turned out to be wrong-----

Deputy Michael McGrath: Absolutely.

Mr. Brian Goggin: Yes, but it was a reasonable assumption at the time. So, you know, in accepting that it was wrong, I think it is important that I again put that in context. This wasn't a cavalier assumption adopted to support a growth strategy. It was a thought-out, you know, well informed view at the time which turned out to be wrong.

Deputy Michael McGrath: Sure, okay.

Mr. Brian Goggin: Could I add one rider comment?

Deputy Michael McGrath: Of course, yes.

Mr. Brian Goggin: There is an assumption by some people that, you know, wholesale markets are bad and conventional deposits are good and that may very well be a valid comparison. However, there is also an assumption that core deposits or retail deposits or however you want to describe, them stay there, they don't. They are as prone to taking flight in the event of a fracture in a bank or in a banking system. We saw here and there were queues on the street outside Northern Rock when it got into difficulty. Ordinary retail customers will look for their money back-----

Deputy Michael McGrath: But was it the collapse of the wholesale markets ultimately that brought the bank to the position where-----

Mr. Brian Goggin: Yes-----

Deputy Michael McGrath: Where it's liquidity had dried up?

Mr. Brian Goggin: Yes-----

Deputy Michael McGrath: It wasn't the flight of deposits-----

Mr. Brian Goggin: No, no, you're absolutely correct-----

Deputy Michael McGrath: Can I just ask you, Mr. Goggin, on the 29 September 2008, did Bank of Ireland need a guarantee?

Mr. Brian Goggin: Did Bank of Ireland need a guarantee - well, I think it's important again to understand the significance of the 29 September and either how far you want me to go back in this but I'm perfectly happy to-----

Deputy Michael McGrath: Well, we have your opening statement which is quite detailed so this is a question and answer exchange.

Mr. Brian Goggin: Okay, I mean, the issue confronting us on the 29 September was the fact that I and the governor of the Bank of Ireland had been put on notice that afternoon that Anglo Irish Bank was going to default the following day. Now this was an extremely grave piece of news to receive - as it happened the governor of the Bank of Ireland had a pre-arranged meeting with the Governor of the Central Bank that afternoon, it was pre-arranged to assist my unsuccessful efforts to get the collateral rules at the ECB broadened and when the governor of the Bank of Ireland returned from that meeting, he informed me that he had advised the Governor of the Central Bank of our meeting earlier that afternoon with the chairman and chief executive of Anglo and brought to the attention of the Governor of the Central Bank that Anglo was going default the following day on a liability that was maturing. Richard Burrows advised me that the Governor of the Central Bank informed him that there was little he could do, little the Governor of the Central Bank could do at that stage.

So, you know, I was in receipt of information that was profound. We had been earlier in that day requested by the Central Bank to consider taking over Irish Life and Permanent.

Deputy Michael McGrath: Yes.

Mr. Brian Goggin: In a scenario where Anglo Irish Bank and Irish Nationwide would have failed and a guarantee would have been provided to the surviving banks. So, you know, picture the scene late in the afternoon of the 29 September, I have all this information, I know something catastrophic is likely to happen the following morning.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: But I and Richard Burrows felt a deep sense of responsibility to make sure that the Government was aware of the gravity of the situation. So, absent Anglo Irish Bank defaulting the following the day, no, Bank of Ireland would not have needed a guarantee at that juncture. In fact, as I recall it, the prospect of a guarantee, which was raised earlier that morning in relation to acquiring Irish Life & Permanent, had been mentioned to me during the summer of 2008 in a conversation with the Governor of the Central Bank. He mentioned to me that there was lobbying for a system-wide guarantee for all banks.

Deputy Michael McGrath: By who?

Mr. Brian Goggin: He didn't say by who but he mentioned it to me in a conversation and he sought my view, and my view then was quite direct. And, I said to him Bank of Ireland did not need a guarantee, and I, as the chief executive, did not support the idea of a general guarantee for all banks.

Deputy Michael McGrath: When was that, Mr. Goggin?

Mr. Brian Goggin: It was in June or July of 2008.

Deputy Michael McGrath: Okay, well can I just take you back to September ... the end of September, and, given the perilous state of Anglo Irish Bank, which you had been made aware of over the course of the day, against that backdrop, did Bank of Ireland need a guarantee?

Mr. Brian Goggin: Bank of Ireland, in the scenarios that were discussed and considered that night ... and considering the request that was made both of Bank of Ireland and AIB to help out Anglo Irish Bank ... and, you know, on that night it was an extremely difficult ... an extremely difficult issue confronting Government. In fact, I think they had a dreadful predicament. But, you know, in the earlier stages of that meeting, on the night of 29 September, it was made very clear to us that the Government was not minded to intervene. It looked-----

Deputy Michael McGrath: At all?

Mr. Brian Goggin: At all.

Deputy Michael McGrath: With any of the banks?

Mr. Brian Goggin: At all.

Deputy Michael McGrath: By who?

Mr. Brian Goggin: Sorry?

Deputy Michael McGrath: Who made that clear to you?

Mr. Brian Goggin: I ... I can't recall, it would either have been the Minister for Finance or the Taoiseach at that meeting. The request to us was that they expected Bank of Ireland and AIB to provide a solution.

Deputy Michael McGrath: What was your message going in there? Because, you're saying that Bank of Ireland may or may not have needed a guarantee but you recognise Anglo as perilous. What was your message going in? Did you ask for a guarantee?

Mr. Brian Goggin: No, our message ... the primary reason we were there was because of the impending Anglo default the following morning, which I was on notice about.

Deputy Michael McGrath: But what solution were you looking for?

Mr. Brian Goggin: The primary purpose was to ... make sure that the Taoiseach and the Minister for Finance were actually aware of the gravity of the situation. Now, you know, when we arrived it was pretty obvious that they had been briefed, at what point I'm not sure, but they were pretty ... they were pretty much up to speed with the situation at that juncture. We were asked what we thought the Government should do. I was asked for input. My input was that the Anglo Irish Bank and Irish Nationwide needed to be dealt with, they were having a ferocious contagion effect on the system, and that, in that scenario, the rest of the banking system would need to be guaranteed, for a period of time, to give stability to the system.

Deputy Michael McGrath: So you did ask for a guarantee?

Mr. Brian Goggin: Yes. In that context.

Deputy Michael McGrath: And was it your impression that it was a four-bank guarantee which was being considered? That certainly was the evidence that we heard from Mr. Gleeson, Mr. Sheehy ... that it was a four-bank guarantee, excluding Anglo and Nationwide, is what appeared to be on the table. Is that not your experience or does ... can you support that assertion?

Mr. Brian Goggin: In the earlier part of the evening, when there was a discussion around the desirability or possibility of nationalising Anglo Irish Bank and Irish Nationwide, the construct - which would have been very similar to the one that was laid out to me at 11 o'clock that morning down in Dame Street by the Central Bank and Financial Regulator ... a scenario where two banks would have failed and the rest of the banks would have been provided with a guarantee. I mean, that was the genesis of the input I had in going to Government Buildings that night. So yes, I mean, that was a kind of ... the scenario, initially, in the early stages of the discussion. These two banks would be dealt with and the rest of the banks would be given a guarantee. But, it didn't play out that way.

Deputy Michael McGrath: And what was your understanding of being dealt with? Was it to be nationalised, liquidated, taken into custody? What specifically was your understanding of the intentions of the authorities and the Government with regard to Anglo and Nationwide?

Mr. Brian Goggin: Well, you know, I recognised, you know, pretty early on, that the options, or mechanisms, that the authorities had, were very limited. You know, I knew that we didn't have resolution legislation in place. I wasn't sure if one could put a bank into examinership or receivership. I had no previous knowledge or history of a bank being dealt with in that manner, so nationalisation seemed like the only possible option. But look, to be quite blunt about this, you don't nationalise a significant bank in a working week. If you have to nationalise a bank because there's a crisis, you do so at a weekend. So, you know, here we are, we went down for a meeting at 9.30 p.m., we were called in about 11.30 p.m. By the time we were discussing the matters you're now asking me about, it was past midnight.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: The markets are going to be opening in a few hours, you know. Is there an actual plan to nationalise two banks or is there not? I know from the notes I have seen in the core documents that you sent me, from the brief minutes recorded by the Department of Finance on the said evening, that the Governor of the Central Bank expressed reservations about trying to nationalise a bank or two banks at that stage of the week. I think he used the term "fumble", or that word, I think, appears in the documentation.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: From a purely practical and pragmatic perspective, by the time we got past midnight and into the discussion, I realised that the idea of nationalising two banks just was not realistic.

Deputy Michael McGrath: On page 18 of your opening statement you said, "I was aware that the Minister for Finance regarded three banks as being in difficulty (Anglo Irish Bank, INBS and IL&P)". How did you get that impression?

Mr. Brian Goggin: I was informed of it in Dame Street on the morning of the 29th.

Deputy Michael McGrath: And these comments were attributed to the Minister by whomever conveyed them to you.

Mr. Brian Goggin: Yes. That is correct. Yes.

Deputy Michael McGrath: Yes.

Mr. Brian Goggin: Sorry, Deputy. I am sorry to interrupt you. I didn't actually answer your question about the four banks and let me ... apologies for that. I was too busy giving you a broader explanation as to what was going on that night. So, at a point when I realised that the concept of nationalising two banks wasn't a realistic prospect-----

Chairman: Sorry there, Mr. Goggin, a realistic prospect on the night or not a realistic prospect that could be held over until the weekend?

Mr. Brian Goggin: On the night.

Chairman: Okay, so you were envisaging that this could maybe roll into the weekend and it might be nationalised over the weekend.

Mr. Brian Goggin: Correct.

Chairman: Okay, thank you. Sorry about that. Deputy McGrath.

Mr. Brian Goggin: Correct. When we ... we spent some considerable time out of the room. We were asked, as I mentioned earlier, by the Government to come up with a solution for Anglo, and after, you know, some heated discussion backward and forwards on that, both banks, when asked to consider providing €5 billion each, with the benefit of a bilateral guarantee for that particular transaction-----

Deputy Michael McGrath: Yes.

Mr. Brian Goggin: -----we left the room, and I obviously had to consult with my colleagues back in Baggot Street by conference call. Five billion euro was a big ask. We certainly didn't have that liquidity available on the spot, and to cut a long story short, we were able to conclude that by participating in the weekly ECB tender for normal market operations on Wednesday, we could post collateral - because Bank of Ireland had lots of collateral - we could post collateral and come up with €5 billion to meet the request of Government to assist-----

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: -----in the crisis that we were all facing. When we eventually returned to the room ... this must be, you know, around 2 o'clock now, a.m., when we returned to the room and both banks informed the meeting that we could produce €5 billion that week ... I think AIB could produce some of it the following day. It was our half-year end so we had kind of closed off our books, but both of us could produce €10 billion between us during the course of the week. The mood of the room changed. There was a palpable sense of relief. The immediacy of the possibility of an Anglo default had been dealt with.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: It was at that juncture that my recollection is that we were informed that the Government had decided they were providing a blanket guarantee for all banks. So when I eventually left Government Buildings that night at about 3.30 a.m., there was no ambiguity in my recollection and in my understanding of what was done that night.

Deputy Michael McGrath: The decision had been made before you left.

Mr. Brian Goggin: The decision had been made - it was a blanket guarantee.

Deputy Michael McGrath: And that was conveyed to you. By who?

Mr. Brian Goggin: That was my understanding. By ... I can't recall.

Deputy Michael McGrath: Okay.

Mr. Brian Goggin: I mean, the people in charge that night.

Deputy Michael McGrath: Sure.

Mr. Brian Goggin: I mean, the Taoiseach was chairing the meeting and he was very much in charge. Much of the running and interaction was conducted by the late Brian Lenihan, the Minister for Finance.

Deputy Michael McGrath: Sure, okay. Mr. Goggin, as we know, top bank executives are well paid. For the year to the end of March 2007, your own remuneration package was a mouth-watering €2,000 short of €4 million. How do you reflect on that now?

Mr. Brian Goggin: I was paid exceptionally well as chief executive of the bank. My remuneration as chief executive and the remuneration of the chief executive was determined by the board. I had no input or involvement in that determination. I was set annual objectives by the board. I was evaluated and my performance was evaluated against those objectives and the board determined what discretionary payments I would receive, based on that evaluation. The board also authorised and sanctioned the payment of those moneys.

Deputy Michael McGrath: Okay. Would you care to reveal to the inquiry what your annual pension is from Bank of Ireland?

Mr. Brian Goggin: The details of my remuneration while I was chief executive of the bank were a matter of public record and are contained in the various annual reports for the said periods. For the periods prior to my term as chief executive, I was an executive director of the bank from 2000, and again all of my remuneration arrangements are on the public record and I prefer to leave it at that, Deputy.

Chairman: Okay, thank you, Deputy McGrath, I'll bring you back in again later. Deputy O'Donnell?

Deputy Kieran O'Donnell: Thank you, Chairman, and welcome, Mr. Goggin. Mr. Goggin, could I direct you to document B5, Vol. 1 and this document basically-----

Mr. Brian Goggin: Hold on, sorry.

Chairman: Hold it there, Deputy.

Deputy Kieran O'Donnell: Vol. 1.

Mr. Brian Goggin: Yes. Page?

Deputy Kieran O'Donnell: B5.

Mr. Brian Goggin: Page?

Deputy Kieran O'Donnell: Page 3. Now, this document deals with-----

Mr. Brian Goggin: Hold on one second, Deputy.

Deputy Kieran O'Donnell: Yes.

Chairman: ... there, Mr. Goggin, if that assists you.

Deputy Kieran O'Donnell: Tell me when you're ready, Mr. Goggin.

Mr. Brian Goggin: Yes, yes, sorry, Deputy, I'm with you now.

Deputy Kieran O'Donnell: We're on the one page?

Mr. Brian Goggin: We're on the one page, yes.

Deputy Kieran O'Donnell: Okay. Not quite, but anyway. This deals with the top ten executives in terms of remuneration and it's following on from the previous questioner. What type of salary and bonus operation was in place for the top executives, including yourself?

Mr. Brian Goggin: Can I refer you to my evidence statement, Deputy? Section 6, page 12, and if you flick onto page 13, I've shared with you, in this statement, the performance evaluation and remuneration structure, particularly in relation to incentivisation, as set out here in my evidence statement. The remuneration system, as you'll be aware, was overseen by the remuneration committee, a committee comprising of non-executive directors, and remuneration comprised of various elements: salary, discretionary bonus, stock options, long-term stock plans, etc. There was a comprehensive-----

Deputy Kieran O'Donnell: But you might explain, in terms of page 13 that you directed us to in your own opening statement. Why did we go from a situation in '05-'06 where the amount ... 30% of the bonus related to profit before tax and 70% related to cost savings. That dynamic changed in '06-'07, where it became 45% profit and 55% cost. And then, in '07-'08, we suddenly found we had a dynamic where it went to earnings per share, which is really profit related, up to 75%. So, three quarters of your bonus was based on earnings per share and only 25% was based on cost.

Mr. Brian Goggin: Yes, well I'm glad you've raised this question with me because what we don't have here is the year 2004-05 and in that year 100% of bonus was a function of profit. I introduced this tiered system-----

Deputy Kieran O'Donnell: But I'm quite happy on the tiered system. But why, between '06 and '07, do we have ... that it was based 45% ... for '06 and '07 ... 45% based on profit, 55% based on costs, and suddenly the following year, '07-'08, that was completely ... all the weighting was put towards profits. Some 75% of your bonus was based on profit and 25% of it was based on costs. And I suppose the question I'm putting to you ... in that year, '07-'08, in ... to the year ended 31 March 2007, you made €4 million of a profit ... sorry, €4 million of a salary. You'd, in essence, €1 million of a basic salary per annum and you'd a performance bonus of varying between about €1.2 million per annum ...it went double that figure in '07. So the question, I suppose, I'm asking you is: how can you justify that level of salary and how ... why did the dynamics, the mix, change between '06 and '07 ... where it was all appeared to be profit driven? So, did you ... in terms of the structure for top executives in Bank of Ireland, were the bonuses driven by profit and, by implication, your salary and your bonus is driven by profit? So effectively, if the bank was lending, basically your salary and your bonus was going up. And how do you justify €1 million a year basic and roughly somewhere between €1.2 million and €2 million per year of a bonus on top?

Mr. Brian Goggin: Deputy, you're asking me a bunch of questions here now. Let me see if I can deal with-----

Deputy Kieran O'Donnell: They're all related to the same thing.

Mr. Brian Goggin: Oh I know, I-----

Chairman: I'll allow plenty of time for you to respond, Mr. Goggin. Mr. Goggin, you have the floor.

Mr. Brian Goggin: Okay. Thank you, Chairman. What I was trying to explain to you, Deputy - and I'll be as full on this as I can be - prior to 2005-06 all of the discretionary bonus was determined by profit. The reason that it changed in 2005-06 was to align the incentive structure directly to the strategy that I implemented. And if you recall the comments I made in my opening remarks, I said that the Bank of Ireland Group faced a number of issues when I took over as chief executive. Its total shareholder return was in decline, it had a multiplicity of different systems and processes, its costs were out of line. So, I put in place a very comprehensive strategy to deal with that and I wanted to ensure that the top executives were motivated and incentivised to deliver on that plan. And that's why I removed the 100% profit as a determinant of profit ... of bonus, and I switched the bank in the first year to 70%. And it gradually declined, as you've correctly pointed out, because the plan began to deliver. It was a three-year plan. The plan began to deliver on the costs. So, as the plan began to deliver, our focus shifted to delivering superior profit performance.

Deputy Kieran O'Donnell: So, therefore, am I correct in saying between '06-'07 you went from being the ... of your bonus, 45% was determined by profit, to 75% in the following year, when effectively loans were ... we were then at a situation whereby that ... the economy and the whole issue of property was on a ... in a decline? And the question I'll ask you again is: how do you justify a bonus of the order of €2 million in '07 and €1 million a year on top of a basic salary of €1 million when, effectively, you had €4 million in '07, which was the top corporate salary in Ireland in that year, how do you justify that level of salary?

Mr. Brian Goggin: Look, as I explained to-----

Deputy Kieran O'Donnell: Personally how do you justify it?

Chairman: Leave a response, Deputy O'Donnell, and then we'll be moving on.

Deputy Kieran O'Donnell: Yes.

Chairman: Mr. Goggin.

Mr. Brian Goggin: As I explained to Deputy McGrath, the board of the bank determined the remuneration in its entirety for the group chief executive. As group chief executive I did not have any input or involvement in that.

Deputy Kieran O'Donnell: Was there any risk element built into the calculation of the bonus?

Mr. Brian Goggin: There wasn't an explicit risk modifier. There was, however, a significant element of risk in the performance evaluation. I had key result areas covering a number of risk dimensions. So, risk wasn't ignored but it wasn't a specific modifier.

Chairman: We've a number of questions to be covering on this area. Very simply, on your remuneration, did you merit it, given the bank eventually went into a bailout programme?

Mr. Brian Goggin: The board of the bank determined my remuneration.

Chairman: Did you merit it?

Mr. Brian Goggin: If the board of the bank didn't deem that remuneration to have been merited in the context of remuneration structures at the time, I wouldn't have been paid it.

Chairman: And what's your view on the merit of it?

Mr. Brian Goggin: It wasn't for me to determine, Chairman.

Chairman: Okay, thank you.

Deputy Kieran O'Donnell: Can I just go back? The ... just I suppose to bring summary on this issue. You are saying effectively then that the bonus model revolved around in '06, '07, '08, the 75% based on earnings per share profit of the company and, in essence, it was based upon loans performing at a specific point in time. And the risk level of those specific loans in terms of the calculation of your bonus really wasn't a factor.

Mr. Brian Goggin: That is correct, Deputy, yes.

Deputy Kieran O'Donnell: Would you ... In retrospect Mr. Goggin, was that not in terms of looking back at the amount of taxpayers' money that's been put into the Bank of Ireland, was that not foolhardy on the part of Bank of Ireland?

Mr. Brian Goggin: Well, I think Bank of Ireland, you know, had quite a comprehensive remuneration configuration and governance process in place. Risk was considered. We had a highly sophisticated Basel II risk calibrated process. You know, determining the quality of a loan book went through a rigorous process. And, to be quite frank with you nobody saw, even in 2007, even in 2008, what was coming down the tracks. So I think, I think one of the lessons to learn from what Ireland has experienced and banking systems generally around the world, there needs to be a better link on a forward looking basis between remuneration and risk.

Deputy Kieran O'Donnell: So I suppose in summary, you feel based on your performance in Bank of Ireland that you were worth €4 million in 2007 by way of salary.

Mr. Brian Goggin: The board determined that, Deputy.

Deputy Kieran O'Donnell: Can I move on to -----

Chairman: We are going into an area of repetition. We have a series of questions we need to get through this morning so if I could push the Deputy to move on please.

Deputy Kieran O'Donnell: I'm just about to, Chairman. Can I move to B1, Vol. 1, page 55? A very quick question.

Mr. Brian Goggin: B1, Vol. 1. Hold on one tick. Yes, got you.

Deputy Kieran O'Donnell: It's about loans. And it says ... this is dated 27 January 2003. It says, second paragraph, ''The objective had been to allow BB to compete more effectively - in particular with Anglo-Irish Bank.''

Mr. Brian Goggin: Yes.

Deputy Kieran O'Donnell: Were you chasing Anglo Irish Bank in terms of market share for customers?

Mr. Brian Goggin: No, the short answer to that question is absolutely not. I mean they were a competitor in the marketplace. It's interesting when you look at this comment. Here we have in 2003 the establishment of a specialised property finance unit within branch banking. We assigned to that unit highly experienced lenders. This was a trial that went on for two years. This is a very good example of how Bank of Ireland poked its toe into new territories initially. It did it by trial. Look at the amount of money that we gave this team to them - €25 million.

Deputy Kieran O'Donnell: Well can I in terms-----

Mr. Brian Goggin: And having a evaluated the trial we said to them, ''All of the experience looks very good, you actually can have €100 million.'' This is ... Anglo Irish Bank would lend that in a second. This was a very considered structured approach to taking on additional risk.

Deputy Kieran O'Donnell: But Mr. Goggin you specifically singled out Anglo Irish Bank, right? And I'm asking .. you've told me your answer. Can I move onto -----

Chairman: The purpose of this morning ... the engagement this morning Mr. Goggin is the behaviour of Bank of Ireland. If we can focus upon that matter, not other banks.

Mr. Brian Goggin: It was brought to my attention here.

Chairman: And I'll allow some scope in that area.

Deputy Kieran O'Donnell: Can we move onto new territories you spoke about yourself? B2, Vol. 1, page 15.

Mr. Brian Goggin: Page 50?

Deputy Kieran O'Donnell: Page 15.

Mr. Brian Goggin: Yes.

Deputy Kieran O'Donnell: One of the areas that at the time was Bank of Ireland were the bank that pioneered the 100% loan-to-value mortgage for home owners. And I noticed that the borrower's profile was main applicant's age profile is young with 54% aged 30 or below, 43% are from single applicants with a medium salary level of €50,000 to €60,000. Why did you go into that market because many of those people that would have received those mortgages, and you can see it in the profile and the way that we have received from Bank of Ireland in various representations at other committees, that the arrears with that group appears to be significantly higher than anywhere else? So the question I'm asking you ... that was back in ... this memo was November '05 -----

Mr. Brian Goggin: Yes.

Deputy Kieran O'Donnell: -----and you went into this market in August '05.

Mr. Brian Goggin: Yes.

Deputy Kieran O'Donnell: It happened under your watch, Mr. Goggin. Why did you go to that new territory?

Mr. Brian Goggin: Could I in answering your question, Deputy, just correct the record. Bank of Ireland did not pioneer 100% mortgages.

Deputy Kieran O'Donnell: For home owners.

Mr. Brian Goggin: Bank of Ireland came into the 100% home owner market after the practice had been established and we were losing market share.

Deputy Kieran O'Donnell: To whom?

Mr. Brian Goggin: The pioneers of 100% mortgages was Ulster Bank through First Active. And we actually ... when the concept of providing 100% mortgages was first raised at a group risk policy committee, my recollection is it was declined and by the time we came to providing 100% mortgages, we were very much as a reluctant follower. It was to protect our franchise and, initially, the offering was to professionals. It was then broadened out to first-time buyers and, by definition, as things transpired, it was going to be a higher risk segment. That's why we didn't want to be in 100% mortgages.

Deputy Kieran O'Donnell: But you ... as the CEO of the bank you had discretion to decide whether you went into that market or not, Mr. Goggin. You had discretion, that was your call.

Mr. Brian Goggin: Yes, I think we...well, yes, as I said to you Deputy, we entered into this market reluctantly. You know I can add a little bit more colour to this if you wish.

Deputy Kieran O'Donnell: Please do.

Mr. Brian Goggin: We were so opposed to 100% mortgages that when the Financial Regulator came to me ... I can't recall quite when. I think it must have been some time in mid 2006. I had a visit from the Financial Regulator who himself was expressing concern about the development of 100% mortgages in the marketplace. And he came to seek my view as to a remedy that he was proposing. And the remedy that he was proposing was to apply higher capital weightings to 100% mortgages.

And I can remember the meeting very well. My reaction to him was that he was wasting his time. And the reason I said that was that banks were running with surplus capital and that the imposition of a higher capital weighting would have zero effect in terms of changing the behaviour of banks but, to be helpful, I suggested to him that he immediately ban the provision of mortgages of more than 90%. I told him that I would come out and back him publicly. The reaction I got was it wasn't the role of the regulator to interfere in the market. To which my response was, this is the very time the regulator should interfere in the market. So, Deputy -----

Deputy Kieran O'Donnell: What date was that?

Mr. Brian Goggin: This was around mid-2006.

Deputy Kieran O'Donnell: Mid-2006.

Mr. Brian Goggin: I'm not for a second -----

Deputy Kieran O'Donnell: Was that with the Financial Regulator at the time?

Mr. Brian Goggin: I'm not for a second defending Bank of Ireland's entry into the 100% segment. I am merely explaining the circumstances which saw us enter it.

Deputy Kieran O'Donnell: In hindsight, should you have entered that market?

Mr. Brian Goggin: No.

Deputy Kieran O'Donnell: Okay. Can I move onto BOI - Vol. 1, C3b. I want to go to -----

Mr. Brian Goggin: CB -----

Deputy Kieran O'Donnell: C3b, page 20.

Mr. Brian Goggin: Got it. Yes.

Deputy Kieran O'Donnell: I want to direct you to a paragraph 3, Government Guarantee.

Mr. Brian Goggin: Yes.

Deputy Kieran O'Donnell: This is from a memo, group liquidity committee minutes, 29 September 2008, basically the day before or the night before of the guarantee. And it reads ... ''Government Guarantee'' is the heading. Yourself ... BJG, which I assume is yourself?

Mr. Brian Goggin: That's correct.

Deputy Kieran O'Donnell: "The Committee prepared a draft of such a guarantee [this is the guarantee] and the list of institutions that it should cover for use by the BJG [Brian Goggin] in his meeting later that evening", which was basically with the Government and with the other banks in Government Buildings. So can I ... what document is that minute referring to, Mr. Goggin?

Mr. Brian Goggin: Well, Deputy, when I received the core documents and I read this piece I said, ''What is this about?'' I have absolutely or had absolutely no recollection of a document being drafted, and for the record, there was no document, and I'll refer you to Bank of Ireland**,** Vol. 2, page 23 - a letter from the group secretary of the Bank of Ireland in relation to this matter and as you will see in that letter, because I actually put a request in to Bank of Ireland to be honest with you, I had no recollection of this particular minute - I asked for sight of the guarantee, it is going back six years in time.

Deputy Kieran O'Donnell: We've had various, we'll say people, in before us and I would just ... it kind of brings in analogies like the dog stole my copybook, that ... the worry here is that we are seeing various publications and minutes saying that there was a guarantee in place, a draft guarantee brought by the two institutions that went to the Government on the night. So we have minutes of the group liquidity committee minutes, basically which are obviously prepared at that time by L. Cooney, whoever L. Cooney was.

Mr. Brian Goggin: Yes, he was secretary to the committee.

Deputy Kieran O'Donnell: Okay. Now, the question is, is that we have contradictory evidence here Mr. Goggin, which ultimately we need to bring ... so do you see the contradiction?

Mr. Brian Goggin: Of course I do, and to be quite upfront about it, I told you I ... when I read it and I received my core documents two weeks ago, I said what is this about, I have no recollection of it. Now it's quite possible that I wouldn't have a recollection given the passage of time but I requested a copy of the guarantee from the bank. I certainly have no memory of any guarantee being drafted by Bank of Ireland on that night and furthermore I have absolutely no recollection of having any piece of paper with me when I was in Government Buildings for lots of hours that night. And Deputy, I refer you to the letter that was submitted to the inquiry dated 20 April 2005. It is written by the group secretary and this was in response to me inquiring where is the draft guarantee and it reads:

> I have checked with a number of the people who attended the meeting including the person who subsequently prepared the minutes. They recall a discussion in relation to the meeting with government which was to take place later that evening but have confirmed to me that a draft guarantee was not prepared. The minutes of 29 September 2008, insofar as they refer to a draft guarantee being prepared, are, therefore incorrect. [And the last sentence in that paragraph reads] All of the people confirmed that no draft guarantee or listing of institutions to which it might be applied was produced or communicated to anybody.
>
> So the minute is incorrect.

Deputy Kieran O'Donnell: Okay, well can I just ... a couple of final questions. On the night of the guarantee, was Bank of Ireland solvent?

Mr. Brian Goggin: Yes, absolutely.

Deputy Kieran O'Donnell: And in various ... we had Mr. Sheehy in, former CEO of AIB in here yesterday. He stated that on the night of the guarantee that yourselves and AIB had concerns about what was being drafted by Government in terms of the guarantee about the whole area of the Financial Regulator looking for a line in terms of the solvency of the banks. Did you object to that line being put in to the draft being issued by Government?

Mr. Brian Goggin: I can't quite recall. I think it was a position taken more strongly by AIB but I do recall the discussion quite clearly and I would have been supportive of the view that they were expressing.

Deputy Kieran O'Donnell: So you would have had no difficulty with a draft being issued by Government on the night that the banks were solvent?

Mr. Brian Goggin: No, no, no. I said I was supporting the position as described by Mr Sheehy yesterday.

Deputy Kieran O'Donnell: Why would you support that position when in essence, at that moment in time, you would have thought the guarantee purely related to the four institutions and not to Irish Nationwide and Anglo?

Mr. Brian Goggin: It was specifically in the context of the guarantee applying to the six banks that I would have had the concern because the wording as proposed would have included two banks that I would have had concerns about.

Deputy Kieran O'Donnell: Can I just go back to ... you made reference there that Mr. Cowen was very much in charge of proceedings on the night of the guarantee and that Mr. Lenihan was interacting. Could you just put a bit of colour to that particular ... just describe on the night what was happening?

Mr. Brian Goggin: Well, it was a fairly fraught occasion. Remembering who said what is extremely difficult.

Deputy Kieran O'Donnell: When you say "fraught", what do you mean?

Mr. Brian Goggin: Well the whole circumstances that we were dealing with, I mean ... the day and the night, the entire day and the night of 29 September was the worst day of my life. The pressure, the stress, the issues I was trying to deal with, I mean it was, it was incredibly stressful and traumatic, as it was for the Government members present that evening and the officials. My recollection of the room, and I can kind of picture the room as I am thinking back on it, the Taoiseach was at the top of the table, he was chairing the meeting, he was very much in charge. But most of the interaction was conducted by the Minister for Finance.

Deputy Kieran O'Donnell: When you say interaction, what do you mean by interaction?

Mr. Brian Goggin: Discussion -----

Chairman: Deputy, you are running out of time now and running out of questions.

Deputy Kieran O'Donnell: Go on, sorry, please elaborate.

Mr. Brian Goggin: Discussion, looking for views, questions, input. Officials tended to be, in that environment, somewhat subservient to a Minister.

Deputy Kieran O'Donnell: And what guarantee was Bank of Ireland looking for from the Government on the night?

Mr. Brian Goggin: In the context of Anglo Irish Bank defaulting the following day and in either of a scenario of -----

Deputy Kieran O'Donnell: Specifically for Bank of Ireland now.

Mr. Brian Goggin: Specifically?

Deputy Kieran O'Donnell: Deposits.

Mr. Brian Goggin: Sorry, excuse me Deputy, I misunderstood you. The content ... what was covered by the -----

Deputy Kieran O'Donnell: Correct, what were you looking for?

Mr. Brian Goggin: I had a number of discussions with colleagues of mine in the bank, either before I went down to Government Buildings that evening, and certainly during the course of the evening when I was kicking back and forth in terms of trying to solve the Anglo issue. I did discuss with my colleagues from the capital markets and treasury side of the business what, in their view, should be covered.

Deputy Kieran O'Donnell: Had you bonds maturing? I know I am running out ... I just want you to give me a, flesh out what you wanted, deposits, senior bondholders, had you bonds maturing?

Mr. Brian Goggin: No, the bank ... actually that night I had no idea of the maturity profile of the bond portfolio in Bank of Ireland but what we did offer into the room, when asked for an opinion on what should be covered, it was very clear. Having had that dialogue with my colleagues over the course of the evening the Bank of Ireland position was that senior creditors clearly needed to be covered, junior creditors insofar as they were dated instruments and we didn't feel that undated juniors should be covered because they were akin to permanent capital. Now there was a reason for this. The reason that we suggested that junior dated should be included was that were concerned about the crossover between junior dated and junior ... and senior bondholders, senior creditors. We were also concerned that that very same population, it was a crossover to the sovereign. So, in terms of, and the primary purpose of the guarantee was to ensure stability of the banking system, it was important from our perspective to ensure that that stability was achieved and that the capacity of the banking system and the sovereign would not be impaired in terms of accessing the very individuals who are both providers of dated subordinated and senior bonds.

Chairman: Sorry you are out of time Deputy, I need to bring it back, one very short question, you are way over time now.

Deputy Kieran O'Donnell: One brief ... it is very short. So you looked for the lower tier 2 subordinated debt to be included?

Mr. Brian Goggin: Dated subordinated yes.

Deputy Kieran O'Donnell: Lower tier two?

Mr. Brian Goggin: Well, dated subordinated.

Chairman: I just want to wrap up a few matters with you before we take a coffee break there Mr. Goggin. On the issue of the ... you are correct, Bank of Ireland did not introduce 100% Irish ... mortgages into the Irish market. In your account to the inquiry this morning, you said that it was mid-July 2006 or so was when you met with the regulator on this issue yes? Sometime in around -----

Mr. Brian Goggin: Yes, it would have been after the period that we introduced them ,100%, which was November 2005, so I think it was mid-2006.

Chairman: And you were quite explicit as to what your view on that product actually was, to the committee here this morning.

Mr. Brian Goggin: I was.

Chairman: Is there a record of that meeting?

Mr. Brian Goggin: I don't believe there is unless I reported it to the board and it's in the board minutes or in my chief executive's report to the board.

Chairman: Could Bank of Ireland assist the committee in establishing whether there is a record or not of that?

Mr. Brian Goggin: Yes, I am sure Bank of Ireland could indeed Chairman.

Chairman: Okay thank you. On the issue of the guarantee which is one question on that, in your view, was it the best or the correct or the wrong solution and was it the decision that you expected?

Mr. Brian Goggin: Well, I think as I ... I used words there earlier on that the Government had a dreadful predicament ... I don't know what other advice the Government got on the night. I was not, as you will be aware, a party to the decision. So I don't know what other options or inputs they considered. But I think, you know, given the circumstances at the time, I don't think they had much by way of an alternative option.

Chairman: Was it your view, leaving the building that night, or was it not your view, that regardless of the timing ... were you of the view that Anglo and Nationwide were going to be nationalised?

Mr. Brian Goggin: No, I was not.

Chairman: And were you surprised or not surprised that they were included in the guarantee the same as everyone else?

Mr. Brian Goggin: No, I was perfectly clear that once I returned into the room and informed the Government that we could provide €5 billion, it was at that juncture, my recollection is, that I was informed that the guarantee was going to be a blanket guarantee covering all banks-----

Chairman: Okay, thanks-----

Mr. Brian Goggin: -----so I left Government Buildings believing there to be a six-bank guarantee.

Chairman: Okay, I just want to return to ... it's just a question hanging over from some of your engagement there with Deputy McGrath this morning, and that's the issue of loan-deposit ratios, and the acceptable level at the moment or the guideline now seems to be of, maybe 100%-120%, if I'm correct, yes?

Mr. Brian Goggin: Em-----

Chairman: Okay. Just to deal with the fact that deposits can move very, very swiftly: this is something that's in the bank that somebody can come in this afternoon and take from you because it's their money. This is a very, very rapid moving area of finance. Given the swiftness of that ... and you say that they've reached levels of 150% with Bank of Ireland during that period. Is that correct?

Mr. Brian Goggin: Loan-to-deposit ratio?

Chairman: Yes.

Mr. Brian Goggin: Yes, I think Deputy McGrath pointed to a figure of 153% in the documents. I think it may, in fact, have been higher.

Chairman: It went to 176%, okay.

Mr. Brian Goggin: Yes.

Chairman: So you were ... the increase ... the continued increase in this area and the increase of the asset size of the books, could that not only lead to further exposure to wholesale markets, which would have seen the problems that were actually happening out there?

Mr. Brian Goggin: Would have seen which, Chairman?

Chairman: Would it not ... the increase in exposure that was happening because of-----

Mr. Brian Goggin: To the wholesale markets?

Chairman: Yes, to the wholesale markets.

Mr. Brian Goggin: Yes.

Chairman: What was your view of that? Were you not creating a situation where you would become very, very vulnerable to the wholesale market-----

Mr. Brian Goggin: No, I mean, the wholesale-----

Chairman: ----- because of this?

Mr. Brian Goggin: No, the wholesale markets were, you know, at the time a very established source of predictable funding. I mean, you'll see from the paper, we'd a series of programmes in place. You know, there was French commercial paper, dollar commercial paper, sterling commercial paper. There was asset covered bonds. There were securitisations, mortgage-backed securities, commercial mortgage-backed securities, a whole bunch of different instruments. I mean ... you know, this was an extremely broad, deep, and liquid market. Nobody envisaged that this source of supply was going to get choked off.

Chairman: But in the Nyberg report ... and I can pull up the document ... but in the general comment in that is that you were ... the issue of borrowing long or ... and that ... you were lending short ... and lending long-----

Mr. Brian Goggin: Borrowing short and lending long.

Chairman: -----and borrowing short, which is in the Nyberg report. Was that not at the crux of all this?

Mr. Brian Goggin: Yes, but, look, I mean, I've been ... I was in banking for 40 years. I was a very experienced banker. Throughout my working life there was an operational gearing in the banking model where banks borrow short and lend long. You know, banks lend for mortgages. Half of Bank of Ireland's ... or 44% of Bank of Ireland's mortgages ... or 44% of Bank of Ireland's total lending was in mortgages. Mortgages are lent for 25 or 30 years. We didn't have any funding coming anywhere near that maturity profile. So you have a fundamental and structural imbalance in the funding mix in a conventional bank.

Chairman: And at any time did the bank consider slowing its asset growth and taking a more conservative approach?

Mr. Brian Goggin: Well, I mean, the bank's ambition in the mid-2000s onward was to grow earnings per share by mid-teens. You know, we felt ... and we were wrong in this. We felt that we could grow the asset base across all of our portfolios in the order that we were doing and that that was a safe thing to do, both from a risk and a funding point of view.

Chairman: Just one final question before we go to the break, so, Mr. Goggin, and that is ... it relates to core documents, Bank of Ireland - Vol. 1, B1.

Mr. Brian Goggin: B1.

Chairman: B1, pages 95-98.

Mr. Brian Goggin: Sorry, hold on there.

Chairman: Yes, sure.

Mr. Brian Goggin: My papers now have gotten mixed up.

Chairman: Take your time.

Mr. Brian Goggin: B1, yes, 90? Sorry, give me the numbers again.

Chairman: Pages 95-98.

Mr. Brian Goggin: 95?

Chairman: Yes. And I'll be taking this in a generalised approach so I-----

Mr. Brian Goggin: Yes, yes, okay.

Chairman: -----won't be taking you through it page by page.

Mr. Brian Goggin: Yes, yes, okay.

Chairman: On core documents, BOI - Vol. 1, B2, so it's just for the record, pages 63-67. And what we're looking at here is property concentration in the group's loan book and sectoral exposures, so on.

Mr. Brian Goggin: Yes.

Chairman: And what's been demonstrated here is a level of exposure of property lending. And the lending ... that this was regularly commented upon in the GRPC ... and in December 2007 ... and it noted that 44% of all non-mortgage lending is into property. So there's sectoral concerns ... lending concerns in the particular sectors now developing. And when the figures for mortgage lending and property construction lending are amalgamated, the results are in or around 70% of the bank's entire loan book related to the property in one form or another. So given that level of overall lending which was property-related, should there have been a higher level of concern in the bank at the time?

Mr. Brian Goggin: Well, I mean, your articulation of the numbers are statement of fact. Bank of Ireland was very comfortable pursuing a strategy where half of its risk assets were in residential mortgages. We deemed that form of lending to be an extremely safe form of lending. And, you know, there's nothing wrong with property lending. The question is: how diversified is your risk and how good is your underwriting? But, look, we know that in the final analysis it was a segment of the property and construction, i.e., the land bank section ... segment, where the main difficulty arose.

Chairman: But was there any contingency in there that if employment rates fell into the future ... because, as Nyberg and other reports have demonstrated, there's a systemic relationship to house values-----

Mr. Brian Goggin: Yes, yes.

Chairman: -----and people's ability to get work. Was there any cognisance that we were at record employment levels at that time - almost considered 100% employment ... that if employment levels fell, would there be an exposure and an inability, as Deputy O'Donnell explained, with people's ability not to pay back their loans?

Mr. Brian Goggin: Yes, you're absolutely quite right, Chairman. I mean, the single biggest risk factor in lending for residential mortgages is employment. That is the ultimate determinant of whether a person gets into arrears or not. It's not about the value of the property. It's not about whether it's positive equity or negative equity. It's about persons' earnings and the continuity of those earnings. Yes, we ran various scenarios showing unemployment rising. I think some of the hypothetical stress tests that were ... came in from the Central Bank in '06 and '07 had unemployment numbers running up to 8% and 9%, but at those levels they were well within our tolerance and capacity to absorb.

Chairman: But it was a matter of general public discourse or record at the time - I don't need to go into citation - that the Irish construction sector and development sector was in about 24% of the Irish economy-----

Mr. Brian Goggin: Yes.

Chairman: -----twice above what the European rate ... or normal rate, which is around 10% or 12%, is currently at 6% or 7%, and it needs to get back to the European average.

Mr. Brian Goggin: Yes.

Chairman: But it was 24% of the Irish economy. So that's not just that it's operating on a balance sheet. That's 24% of the Irish working population inside, or practically as well.

Mr. Brian Goggin: Yes, yes.

Chairman: And the compound concerns that would arise out of that, was that ever on the radar of Bank of Ireland?

Mr. Brian Goggin: No, we were conscious that construction activity as a portion of GDP was high. And, I mean, you know, when you look at this ... I mean, this was a much broader issue than just mortgages and banking. It goes right to the core of economic management and fiscal policy and taxation policy. But, you know, we viewed Ireland at that point, and many of the reports ... independent reports point to Ireland catching up. We had a big growth in employment. We had a demographic where two thirds of the population was under 44 years of age. On average, the Irish demographic was ten years younger than the European demographic. So there was a huge catch-up. We had a huge investment in infrastructure. I mean, a lot of that property and construction was in infrastructure. So I think, again, a lesson to learn from your work is, you know, ensuring there is some balance in any disproportionate degree of activity in the broader kind of macroeconomic policy.

Chairman: All right, thank you, Mr. Goggin. I now propose that we break until 10.50 a.m., and, in doing so, can I remind the witness that once he begins to give his evidence, he should not confer with any person other than his legal team in relation to his evidence or matters that are being discussed before the committee? With that in mind, I now propose we suspend the meeting until 10.50 a.m. and remind the witness that he's still under oath until we resume. Is that agreed? Agreed.

Sitting suspended at 10.29 a.m. and resumed at 10.57 a.m.

Chairman: Are we back in ... quorum? We are indeed. With that said, I'd like to go back into public hearings with immediate effect. Is that agreed? Mr. Goggin, just very, very briefly, just to clear up one item. On the night of the guarantee, were you and AIB in the same room for the duration of the evening or were you in separate rooms, and in your meetings with either the Taoiseach or Mr. Lenihan, the Finance Minister at the time, were you together during all of those periods?

Mr. Brian Goggin: Okay. When we arrived initially in Government Buildings for the 9.30 p.m. meeting we were both ... or the four of us were together in one room until 11.30 p.m. At all of the meetings, perhaps bar one, with the officials, AIB and Bank of Ireland, from my recollection, were always together. I think we might have been separate during the discussion on which subsidiaries of the two banks should be covered by the guarantee. Apart from that, my recollection is that BOI and AIB were always together. Sorry, and there's one other exclusion. When both of us were considering the provision of the €5 billion, we were in separate rooms dealing with that.

Chairman: This is €5 billion for Anglo?

Mr. Brian Goggin: Yes.

Chairman: Thank you. Just one other matter with regard to Deputy O'Donnell's question, in regard to tier 2 ... lower tier 2 subordinated debt. Bank of Ireland's position on that was that was to be protected, yes?

Mr. Brian Goggin: That dated subordinated was to be included in the guarantee, yes, not undated.

Chairman: Okay, thank you.

Mr. Brian Goggin: And for the reason I explained.

Chairman: Okay. I will bring you back in again Deputy O'Donnell, as we wrap up. Just to move on. Deputy Pearse Doherty. Deputy you have ten minutes.

Deputy Pearse Doherty: Thank you, a Chathaoirligh, agus fáilte chuig an gcoiste fiosrúcháin. Can I begin by asking in relation to the Bank of Ireland strategy 2004 to 2009? The earnings per share and the profit before tax targets 15% plus growth per annum, which might appear ambitious in a relatively mature market. What was your view on this and did this lead to going into areas of higher risk?

Mr. Brian Goggin: No. I do not believe so, Deputy. I mean, the expression of strategy and boiling it down to an EPS kind of target is to simplify it. The EPS is an outcome of the strategy, which is pretty obvious. Did the desired outcome influence the level of growth? No, I think the level of growth was built up from all of the different components of the group. We decided that we would stick to our core geographies. We looked at a whole array of different areas of possible expansion. We came back to our core markets in our core businesses. And the level of growth that we envisaged to produce an earnings per share in mid-teens was a function of a multiplicity of moving parts.

Deputy Pearse Doherty: And at that time, and we've heard that ... you provide evidence in relation to the pilot scheme, but you did start to go into high risk areas. Is that correct?

Mr. Brian Goggin: I'm not quite sure what you mean by high risk areas-----

Deputy Pearse Doherty: For example, we've talked about the pilot scheme in relation to the €25 million that was approved up to €100 million in 2003, which was deemed high risk lending.

Mr. Brian Goggin: Yes, well ... that ...Yes ... Actually when you read the paper, it talks about higher risk and return. The headline is a little misleading but you're absolutely correct. That is what the headline said. The actual paper refers to higher risk, higher reward lending. And that's perfectly acceptable. You know, it's about adjusting risk relative to return, but this particular initiative was extremely modest. It was to position Bank of Ireland ... it really was to support residential property development, that's what it was really about. And, if I might add, when that unit grew over time, in 2006, we decided to amalgamate it and integrate it in with the more sophisticated specialist higher order property team in corporate banking.

Deputy Pearse Doherty: Okay. Moody's, for example, in 2007-----

Mr. Brian Goggin: What are you referring to, Deputy?

Deputy Pearse Doherty: I'm going to mention that now. We can see it in relation to the core documents BOI ... B1, Vol. 1, page 95, which is the property concentration in the group's loan book. Moody's-----

Mr. Brian Goggin: Yes, I'm there. Hold on. Yes-----

Deputy Pearse Doherty: There's a number of pages there-----

Mr. Brian Goggin: Yes, yes.

Deputy Pearse Doherty: Page 97, which talks about construction and property accounted for 359% of our core ... of our tier 1 capital at the end of September 2007, up from 345% three months earlier, and 275% at March 2006. Moody's also gave you a grading at that time in relation to property concentration and the grading was D. Can you outline to the committee how many grades does Moody's have or grades do Moody have?

Mr. Brian Goggin: Oh, Deputy. I'm afraid I really wouldn't have that level of granular detail at hand-----

Deputy Pearse Doherty: Well-----

Mr. Brian Goggin: I mean, the different rating agencies had different metrics-----

Deputy Pearse Doherty: If we look at Moody's website for example, we will see that they grade banks from A to E. Would that be correct? Would that be your understanding?

Mr. Brian Goggin: Well, if you've checked it, I'm sure it is correct.

Deputy Pearse Doherty: So a D rating would be quite low, would that be correct?

Mr. Brian Goggin: Yeah, but a D is just for a component, it's not an overall D rating. It's a D rating for the sectoral concentration.

Deputy Pearse Doherty: And you also received a D rating for borrower concentration, meaning that you were lending too much to individual ... individuals. Would that be a correct assessment?

Mr. Brian Goggin: If that is what it says, yes.

Deputy Pearse Doherty: And you go on to say that you ... selling off some of the loans of the top 20 borrowers would help your rating with Moody's at that time.

Mr. Brian Goggin: Yes, well I mean, you know, a rating agency rating, as you will appreciate, is quite a sensitive one for a bank to endeavour to manage. I mean, this determination is made now when the bulk of the lending had taken place. It's the end of 2007-----

Deputy Pearse Doherty: The point I'm making is you-----

Mr. Brian Goggin: You're correct.

Deputy Pearse Doherty: But you've identified ... to deal with your concentration risk, you've identified the top 20 borrowers as a way of reducing your concentration risk.

Mr. Brian Goggin: Yes, if it was possible to dispose of those.

Deputy Pearse Doherty: So would that suggest that your bank, under your guidance, lent too much to individual ... to certain individuals that increased the concentration risks to individual borrowers?

Mr. Brian Goggin: I don't believe so and let me explain to you why I say that. I looked at the top 15 property exposures at the end of 2007 and they summed to something in the order of €5 billion. So €5 billion out of the €38 billion ... €38 billion was the number that was mentioned by Deputy McGrath earlier on. It's the correct figure in relation to the totality of the property and construction segment. So we have 15 borrowers, make up €5 billion of the entirety of €38 billion. And just to give you a little bit of perhaps granularity if you think it would be helpful-----

Deputy Pearse Doherty: Okay-----

Mr. Brian Goggin: -----around the individual split of that, the high ... the highest single exposure was €620 million.

Deputy Pearse Doherty: Okay, I appreciate that. I'm going to move on because time is tight. You carried out due diligence on Irish Nationwide at the beginning ... at least it's reported that this was done prior to 7 September. Why did Bank of Ireland carry out due diligence on Nationwide?

Mr. Brian Goggin: I don't believe we carried out due diligence on Irish Nationwide. The meeting at the weekend of 6 and 7 September was in relation to an assessment of the liability profile of Irish Nationwide in the aftermath of a significant downgrading from a rating agency-----

Deputy Pearse Doherty: Yes.

Mr. Brian Goggin: -----and the liquidity pressure that Nationwide was experiencing.

Deputy Pearse Doherty: Okay. I'm going to have to quote from AIB's board minutes of 7 September 2008. This is in reference to the meeting-----

Mr. Brian Goggin: Sorry, your reference source, Deputy, is?

Deputy Pearse Doherty: Is AIB board minutes of September ... 7 September 2008. They are in document AIB - C3b, Vol. 2, page 41. And this is in reference to the meeting that Bank of Ireland had with the regulator, with AIB, with Irish Nationwide, looking for liquidity of €2 billion each, from each institution, which you refused to give without a Government guarantee.

Mr. Brian Goggin: Okay.

Deputy Pearse Doherty: And in that, it says that ... in that, it says that Bank of Ireland had carried out due diligence on Irish Nationwide and that there was an estimated 30% to 50% estimated by Bank of Ireland. The quote is, "The quality of the loans was suspect and could require write-downs ranging from a benign 13% estimated by the FR [Financial Regulator], to 30%/50% estimated by Bank of Ireland, which had previously conducted a due diligence review of the institution."

Mr. Brian Goggin: I'm not familiar with the figures and I don't quite understand how AIB would have had access to that information. But, I think I can recall what it might relate to. But I might not be correct. However, in an attempt to be helpful, I'm willing to offer my view, but I'm surprised that AIB were able to quote that level of detail.

Deputy Pearse Doherty: The key question is ... and you've answered this, that you never carried out due diligence, you never considered taking over Irish Nationwide, is that correct?

Mr. Brian Goggin: No, that's not correct.

Deputy Pearse Doherty: Okay.

Mr. Brian Goggin: What I want to refer you to is that at some stage ... and I can't recall when, it could've been ... it could've been late 2006, it could've been 2007 ... I just can't recall. We did look at the possibility of acquiring other entities in the Irish marketplace. This was a very informal review. And we did look at Irish Nationwide. I would not, in any respect, refer to it as a due diligence exercise.

Deputy Pearse Doherty: Okay.

Mr. Brian Goggin: But we did look at it. I don't believe we ever even brought it to the board of the bank. We concluded that this was not an entity we would wish to acquire. That's the only recollection that I have, Deputy Doherty-----

Deputy Pearse Doherty: That's fine.

Mr. Brian Goggin: -----and if it was as sophisticated as detailed due diligence with the numbers you referred, it certainly would've come to the board of the bank.

Deputy Pearse Doherty: Okay, that's fine. I'll just in the last question I have, I want to talk about, again, the night of the guarantee. The minutes that suggested you had a draft guarantee would've been approved by the members at a later meeting that were present at the original meeting. Would that be correct?

Mr. Brian Goggin: Sorry, I'm confused now-----

Deputy Pearse Doherty: The minutes that suggest that the draft guarantee was produced-----

Mr. Brian Goggin: Our Bank of Ireland draft guarantee?

Deputy Pearse Doherty: Yes. Was produced for you, would've been approved by the members in attendance at that meeting at a later stage. Would that be correct?

Mr. Brian Goggin: No. The Bank of Ireland had no ... there was no draft guarantee.

Deputy Pearse Doherty: Okay.

Mr. Brian Goggin: The liquidity committee meeting minute, you know, was incorrect. And that's been-----

Deputy Pearse Doherty: Was that minute approved by the committee at a later stage?

Mr. Brian Goggin: Sorry?

Deputy Pearse Doherty: Was that minute approved by the committee at a later stage?

Mr. Brian Goggin: No.

Deputy Pearse Doherty: No, okay.

Mr. Brian Goggin: Deputy, and ... sorry, let me explain to you why. We were having liquidity meetings every day. Some days we had several liquidity meetings. We weren't formalised enough to be approving the minutes of subsequent meetings. Perhaps we should have and that's when it would've been picked up.

Deputy Pearse Doherty: My final question in this here is, you mentioned that you were informed around 2 o'clock by the Government - I think you mentioned the Taoiseach or the Minister of Finance - that all six institutions would be guaranteed. Can you inform the committee, was the AIB representatives at that meeting when that was said? And can you also inform the committee, why ... sorry, can you also inform the committee, was there a draft document or statement issued to you that contained the words that the institutions were solvent and the system was solvent, and that you asked for them to be taken out? And did you suggest that Nationwide or Anglo were an institution that may not warrant that statement?

Mr. Brian Goggin: Now you've a number of questions there. I don't believe, and I can't recall, if a document was given to us. I think it may have been read out ... the content of it may have been read out. My recollection of events is that, when we came back into the room with the confirmation that we could each provide the €5 billion, yes, AIB were with us in the room at that point. And if my recollection is correct, that was the point at which, my recollection is, that we were informed that it was a blanket guarantee. And, the third part of your question was to do with the-----

Deputy Pearse Doherty: With the solvency, did you suggest that-----

Mr. Brian Goggin: Oh yes, I think ... my recollection is that AIB, I think, made the running on it but we certainly supported the view-----

Deputy Pearse Doherty: Sorry, the view is ... did you-----

Mr. Brian Goggin: That they should not include a solvency reference in the press release.

Deputy Pearse Doherty: But did you express the view that the two institutions that I mentioned, namely, Anglo and Nationwide, did not warrant the statement that they were solvent?

Mr. Brian Goggin: That's a very specific question. I can't for certainty say but it certainly would have been inferred in our thinking and in our input.

Deputy Pearse Doherty: Thank you.

Chairman: Thank you. Senator O'Keeffe. Senator, ten minutes.

Senator Susan O'Keeffe: Thanks, Chair. Mr. Goggin, on page 26 of core document BOI, Vol. 1, B2-----

Mr. Brian Goggin: Hold on one tick now.

Senator Susan O'Keeffe: It was 11 November-----

Mr. Brian Goggin: Oh, sorry, Deputy, I, B2, yes.

Senator Susan O'Keeffe: I've just given-----

Mr. Brian Goggin: Which page?

Senator Susan O'Keeffe: Page 26, I'm just making sure the guys have it, 11 November 2003, in a paper prepared for the board - the quarterly risk review points out that:

> [...] a shortage of front-line credit skills is evident at Branch/BRM level and the number of Commercial Branches rated unsatisfactory has increased to 9. [...] Relationship managers continue to be under pressure due to portfolio-size, quality of support and inadequate credit skills.

There is more than that but Mr. Goggin what observation would you make? That was in 2003 that observation was made to the board of Bank of Ireland, the court of Bank of Ireland?

Mr. Brian Goggin: Yes, it was previously discussed at the group risk policy committee so this was an escalation up of the group risk policy committee's examination of it. Yes, this was a very serious matter and I think it goes to the heart of the governance structures in Bank of Ireland. You've got a distributed network with 300 branches or 250 branches, you know, the normal distribution applies. Some of them will perform and conform, you know, superbly well. The majority of them will be standard and you will have, you know, a number that will not meet the standard at a point in time. This was identified through the credit review process. It was the third leg of the three legs of the fence in lending in Bank of Ireland. So this was identified, it was escalated, it was taken most seriously and there are papers somewhere because I read them in relation to how the GRPC - the group risk policy committee - view this and the direction it gave to the head of retail banking at the time in terms of resolving these issues. And I know there's a paper somewhere else. I haven't got it cross-referenced but I know that in a period post-this, there was a very positive updating report on the success in addressing some of these issues. This would have been, you know, quite a normal escalation of an issue taken most seriously and escalated right to the very top of the organisation.

Senator Susan O'Keeffe: Thank you. On BOI - B1, Vol. 1, page 13 running into page 14-----

Mr. Brian Goggin: Yes.

Senator Susan O'Keeffe: A court minute extract of 7 July 2008 in which you, Mr. Goggin, assured the court that you:

> ...keeps in regular contact with the Financial Regulator and expressed confidence that the Regulator has contingency plans in place (which would be likely to require the Group to play a part) should another entity appear likely to fail. In subsequent discussion, Mr Goggin confirmed that he could not envisage any circumstances where BoI's equity would be put at risk in helping to prevent the collapse of a competitor.

What were those contingency plans that you speak of with the regulator and where did they surface subsequent to that, if indeed they did?

Mr. Brian Goggin: It's a good question. I read this and I have it marked in my own papers-----

Senator Susan O'Keeffe: Yes.

Mr. Brian Goggin: And I asked myself the very same question in preparing for my evidence here today. This was an opinion that I expressed. I didn't have any hard information to support the view other than I was spending quite a considerable period of time, week in week out, from late 2007 right through to 2008 at meetings with the Central Bank and Financial Regulator-----

Senator Susan O'Keeffe: Did you express confidence, in fairness, Mr. Goggin? You expressed confidence that the regulator had a contingency plan?

Mr. Brian Goggin: I did, well-----

Senator Susan O'Keeffe: That was an opinion you are saying.

Mr. Brian Goggin: Sorry, Deputy.

Senator Susan O'Keeffe: Thank you.

Mr. Brian Goggin: If you had been to as many meetings as I had been to, if you had been interrogated to the extent I was by the authorities in terms of the emerging liquidity position in the markets, in Bank of Ireland, these were extremely detailed questions, the kind of questions you would expect of a regulator or a central bank. I could only conclude from those and the information that we were more than happy to present that a contingency plan was being developed.

Senator Susan O'Keeffe: But you never saw one?

Mr. Brian Goggin: No, I did not, no.

Senator Susan O'Keeffe: And you never asked for one?

Mr. Brian Goggin: Well, I didn't but had I asked for it, they wouldn't have given to me, I'm sure.

Senator Susan O'Keeffe: Did one appear on the night of the guarantee at any point in the conversation?

Mr. Brian Goggin: No.

Senator Susan O'Keeffe: Do you believe there was one in place?

Mr. Brian Goggin: I can't truthfully answer that question, Senator. One would hope there was and I guess it's a matter that you'll pursue with the official side when you get to speak with them. But I couldn't say for certain.

Senator Susan O'Keeffe: On the morning of the night of the guarantee, were you ... had you been advised by that point that Depfa and Fortis banks were in trouble?

Mr. Brian Goggin: We would have been generally aware. Was there an intervention on the morning of the 29th by the authorities on those banks? If there was, I certainly would have been aware of that, yes.

Senator Susan O'Keeffe: But you don't remember being informed by anybody in particular, say, by the Department of Finance or the Central Bank?

Mr. Brian Goggin: Oh, no, no.

Senator Susan O'Keeffe: At that meeting with the Central Bank?

Mr. Brian Goggin: Oh, no. If I had been informed, it would have been by own team.

Senator Susan O'Keeffe: Okay. You ... did you meet with a representative of Anglo Irish Bank at lunchtime on the Monday?

Mr. Brian Goggin: On Monday the 29th?

Senator Susan O'Keeffe: Yes.

Mr. Brian Goggin: I met with two representatives of Anglo Irish Bank at 2.30 p.m. that afternoon.

Senator Susan O'Keeffe: For what reason?

Mr. Brian Goggin: When I returned from Dame Street - I mentioned in my evidence earlier on that I had a meeting in Dame Street with Central Bank - I got back to my office around 12.30, the governor of the bank, Richard Burrows, came into me and said that there was a request in from the chairman of Anglo Irish Bank for an urgent meeting. He was not aware of what the meeting was for but I guess given the turmoil that was prevailing, it was in all reasonableness to do with that. We agreed to the meeting as a matter of courtesy and we set the meeting for 2.30 p.m. that afternoon on 29 September. Both the chairman and the chief executive of Anglo Irish Bank came to Bank of Ireland, Baggot Street, for that meeting. They indicated to us or mentioned to us that they had a liability maturing the following day, i.e. the 30th, in the amount of, I think it was €1.5 billion, it could have been €2 billion. It was of that magnitude, I can't remember precisely and that they would be unable to honour the commitment. They then asked for Bank of Ireland to acquire Anglo Irish Bank.

Senator Susan O'Keeffe: And what did you say?

Mr. Brian Goggin: Well, we had absolutely no interest in acquiring Anglo Irish Bank and we politely told them that we could not be of assistance.

Senator Susan O'Keeffe: At all, you didn't offer any assistance?

Mr. Brian Goggin: No, none.

Senator Susan O'Keeffe: Did they leave at that point?

Mr. Brian Goggin: They did.

Senator Susan O'Keeffe: Okay. When you went to Government Buildings later that night, did you ... when you were talking in your first round of meetings with the Taoiseach and the advisers and the Minister, did you say, "Look, we've had them in, guys. We had this meeting, they've asked us to------

Mr. Brian Goggin: Oh, yes, absolutely and the governor of the Bank of Ireland would have shared that information with the Governor of the Central Bank at the pre-arranged 4 p.m. meeting later on that afternoon on the 29th. I mentioned that in my evidence earlier on.

Senator Susan O'Keeffe: Yes, so everybody in the room knew ... did they ... everybody knew that Anglo had knocked on your door earlier that day?

Mr. Brian Goggin: Oh, yes.

Senator Susan O'Keeffe: And AIB also had had a call, did you recall whether that happened, whether there was mention made of that as well?

Mr. Brian Goggin: Yes, let me just think about that. Yes, when the chairman and chief executive of Anglo were leaving us on the afternoon of the 29th, they indicated to us from my recollection that they were going to see AIB.

I subsequently learned later on that evening that AIB had refused to meet them, so the meeting, as I understand, it never occurred.

Senator Susan O'Keeffe: So, let's just be clear, this was a huge day. It was the worst day of your life I think you said. You two banks were obviously under extreme pressure, you had been for quite a while. You asked for a meeting with the Government, I think you said yourself, to make sure they were informed of the level of the danger----

Mr. Brian Goggin: Yes.

Senator Susan O'Keeffe: And you arrived there with no documents to give them. Just let's be completely clear, you had nothing to give them.

Mr. Brian Goggin: I didn't need to have any documents, Senator, with respect, to give them. The issue was very clear. A major bank was going to collapse the following day. I didn't need to produce any documentary evidence. I didn't receive any evidence in the meeting earlier in the afternoon from Anglo Irish Bank. It was an oral conversation. There were no papers.

Senator Susan O'Keeffe: Okay. On page 21 of document BOI, Vol. 1, C3b, again----

Mr. Brian Goggin: Hold on, sorry, sorry----

Senator Susan O'Keeffe: Yes.

Mr. Brian Goggin: C3b, page?

Senator Susan O'Keeffe: Page 21, again this refers ... it's a note after the one that you already discussed with that committee, you say "RB", I assume Richard Burrows-----

Mr. Brian Goggin: Sorry, where are you?

Senator Susan O'Keeffe: AOB, last sentence. "RB stated that the Group should make the point, when every (sic) possible, that it did not request the guarantee and did not require it." What is that about? That was on 29 September 2008 at the group liquidity meeting, which you attended, and that would have been obviously prior to going to Government Buildings. What's that about? I think you've said that you did need a guarantee. Why did you go to Government Buildings if it wasn't for a guarantee?

Mr. Brian Goggin: Well I think ... I think I explained that. I think I ... I've already explained that, Senator.

Senator Susan O'Keeffe: I don't think-----

Mr. Brian Goggin: I ... I'm just trying to collect my thoughts here in relation to your first question. Yes, no, the "RB" in this case is not Richard Burrows, that's-----

Senator Susan O'Keeffe: It's Richie Boucher, is it?

Mr. Brian Goggin: Correct.

Senator Susan O'Keeffe: Yes. Anyway. He said-----

Chairman: Onto the question, Senator.

Senator Susan O'Keeffe: Well I'm trying to just-----

Chairman: Sure, yes, indeed.

Senator Susan O'Keeffe: Yes. Please? So your response is?

Mr. Brian Goggin: Your question is?

Senator Susan O'Keeffe: I'm asking you why was that said, that we did not request the guarantee and did not require it? Why then did you go to Government Buildings, what was your concern if it wasn't to ask for a guarantee?

Mr. Brian Goggin: My concern ... my concern in going to Government Buildings was in relation to one specific issue, i.e., a major bank was going to default the following day. The issue of a guarantee was proposed as a possible solution in terms of trying to help the Government deal with the issue. The point that's being made here, as I interpret it, is that Bank of Ireland, in isolation, absent any other issues in the marketplace, did not require a guarantee.

Senator Susan O'Keeffe: So-----

Mr. Brian Goggin: It was the imminent collapse of Anglo and the mechanism around providing stability to the banking system ... required all of the banks needing a guarantee to be quite honest about it.

Senator Susan O'Keeffe: Okay, so let me just be clear, Chair. So you ... so while ... while AIB did ask for a guarantee, you did not?

Mr. Brian Goggin: I think ... I think we're splitting hairs.

Senator Susan O'Keeffe: I don't think we are, Mr. Goggin.

Mr. Brian Goggin: We ... we're not ... we all asked for a guarantee. We both asked for a guarantee.

Senator Susan O'Keeffe: Well then why did ... why is this statement here that, wherever possible it did not request a guarantee and did not require it? I don't understand. I'm sorry. I'm not trying to be difficult, I just don't understand. I don't understand why hours before you went to Government Buildings, in your own minutes, it says we're not going to be asking for it and we mustn't mention it, and then when you got there you asked for it.

Mr. Brian Goggin: Well ... no ... we asked for it in a certain context.

Senator Susan O'Keeffe: Yes, of course-----

Mr. Brian Goggin: Look, look, Senator, look, you couldn't guarantee ... I think I mentioned to Deputy McGrath earlier on, at one stage during the evening, in the early part of the evening, there was a suggestion that one bank be guaranteed, that one bank being Anglo Irish Bank. Now, picture the scene, Anglo Irish Bank gets guaranteed, nobody else is guaranteed. Where do you think all the deposits are going to end up the next day? There all going to be down in Stephen's Green, the rest of the banking system is in chaos. So you ... in asking for a guarantee it was in the context of the totality ... I think ... I think the reference here, I can't be certain, was in relation to the fact that Bank of Ireland, on its own, wouldn't have needed a guarantee. Look, the bottom line is, we did need the guarantee, if that answers your question.

Senator Susan O'Keeffe: Thank you.

Chairman: Okay, thank you.

Senator Susan O'Keeffe: Thank you.

Chairman: Mr. Goggin, I'm just going to refer there to a document, BOI - Vol. 1, B1, page 29.

Mr. Brian Goggin: Page 29, B1.

Chairman: And this relates to a retail financial services Ireland presentation, it's a Bank of Ireland presentation as you can see, to court ... May ... in around 2004, May 2004.

Mr. Brian Goggin: Yes, I got that, yes.

Chairman: Yes. Now, it would be indicated that the levels of earnings per share on profit before tax in Bank of Ireland ... that the targets for this, at 15% plus per annum ... that then might appear ambitious ... in a relatively mature market. But the first question I'm going to kind of arrive at here was, how much ... when you ... in 2004, how much of the model, that you were then developing, was driven by activities of competitors rather than looking fully at the quality of lending? What was the thinking going on in Bank of Ireland in and around 2004? Was it to grow the book, was it to structure the governance, where ... where were you at this time of this presentation?

Mr. Brian Goggin: It was ... it was all of the above. This wasn't a menu where items were superior or ... to one another. I mean, this was a matrix, they weren't mutually exclusive, you didn't decide to do A at the expense of B. We, at that time, were facing competitive pressures. The competitive pressures, I think, that are referenced in this piece you're referring to, Chairman, and in the subsequent paper, is more to do with the arrival of Danske Bank, if I recall it correctly, the competitive aspects of Bank of Scotland (Ireland) ... it was a whole landscape. And the primary concern we had here was not to do with lending standards but it was to do with product innovation, pricing, customer service ... Bank of Scotland I think had bought a bunch of ESB shops, they were going to open on Saturdays, these were the competitive dimensions that were weighing on our thinking, as I recall it.

Chairman: Okay, alright, so we'll just move on to page 31 of the same core document. There's a number of bullet points here in the ... and I'd like to talk about the third one down which is "Sales and Revenue". It's just coming up in a moment.

Mr. Brian Goggin: I ... I have it here in front of me.

Chairman: Yes. And yes I ... just to let it come on the screen there as well. And it says

... this is a projection of what success will look like in 2007. The presentation is being made in 2004 as we've already discussed. "Sales Culture firmly embedded-profitable market share growth." Now, this ... can you elaborate on what that target actually means? The ... coming back to earlier questions this morning, does this mean chasing the market, does it mean that we're going to adopt a model to reflect what's happening in the wider market, Danske Bank and other banks you mentioned at the moment, earlier this morning, we spoke about Ulster Bank and the introduction of 100% mortgages ... is this about Bank of Ireland reshaping itself to deal, what was then, the existing market norm?

Mr. Brian Goggin: No the ... the sales culture, if that's what ... I think you're referring to, Chairman, was a ... a process embedded in Bank of Ireland. The actual ... the actual programme that we invested in was a programme in the early 1990s that we brought in from the US, and it was, if I remember correctly, the Cohen Brown process. And this was about how you data mine your customer base, how you get a significant higher share of wallet. And in Bank of Ireland, and Bank of Ireland was acknowledged and recognised for this across Europe, we built one of the most successful bank assurance models in European banking and sales integration in that was very, very important. So it was about ... it was about customer relationship managers identifying, in their customer base, prospects that would be suitable for investment products, pension products, etc. etc., and the whole, kind of, objective behind this retail strategy was to ensure that our product penetration, across the more valuable segments of the retail customer base, were significantly increased from where they were, in the face of the kind of competition that was coming at us.

Chairman: Two ... two questions on that, Mr. Goggin. One is, if, kind of, if it was a colloquial term that ... that brings me back to that time, being informed that someone was under-borrowed, which meant that they had a potential to take up more loans even if they weren't looking for a loan.

Mr. Brian Goggin: To take more.

Chairman: By data mining, does that mean to identify people who are under-borrowed?

Mr. Brian Goggin: Well the ... the data mining would have referred to the entire product suite. Lending ... lending was just one ... it was an important product, but it was just one product.

Chairman: But were Bank of Ireland engaged in the process of looking through that data mining and say, well ... Mr. Lynch looks like he has the potential, on his earnings, to borrow another €40,000 or another €400,000 a year, and Bank of Ireland then would look at maybe what sort of products would be available for him to avail of, given the credit that he would have access to?

Mr. Brian Goggin: No I ... I think, you know ... I was involved in this process way back at that time because I ran part of the retail network in ... in the east of Ireland. My ... my recollection of it is that it came at it from the other angle. So Mr. Lynch is a very important customer of ours and he only has one product with us, yet he'd have a profile that suggests he should be eligible ... or might be eligible for this product, that product and the other product. We also had, I suppose, the benefit of-----

Chairman: And would they get a call ... would Mr. Lynch being ... not me, but some other person maybe ... would Mr. Lynch then get a call from the bank saying, "We got all these products, and we'd like to talk to you about them"?

Mr. Brian Goggin: Yes.

Chairman: Okay. And were there bonuses for the staffs making those calls?

Mr. Brian Goggin: Ah, there were very little bonus payments back in the 90s.

Chairman: No, this is between 2007 and ... between-----

Mr. Brian Goggin: Oh, sorry, sorry, I was referring to the Cohen Brown process.

Chairman: -----between 2004 to 2007?

Mr. Brian Goggin: No, no ... there would have been bonuses, but they would have been ... they would have been structured, as I outlined in my evidence statement, which I submitted back at the beginning of April, you know, on a whole range of different factors, including leadership skills, customer satisfaction ratings, audit ratings, credit review ratings, sales, targets, lending, this ... you know, it would have been the complete suite.

Chairman: Okay, if somebody was to take out an investment product, or let's say, to invest in a buy to let because they had a lot of equity in their property, they bought it in 1980s and so forth, which would be on the ... typical customer of most banks in and around the early 2000s. A lot of people would have their mortgage well pared down and there would have been massive equity on their property because of house inflation at the time. Were there bonuses for those type of products?

Mr. Brian Goggin: I wouldn't think so. The bonus structure would have been as I outlined in my evidence statement where I gave an indication of the evaluation process that applied to executives and managers. It would have been the totality of the responsibility of the individual, so it would have taken in ... it wouldn't have been as granular, to say if you sold A, you got B. I don't believe it was that granular.

Chairman: Okay, but you're not categorical in saying that there's not-----

Mr. Brian Goggin: No, but I'm pretty certain.

Chairman: Okay. Senator D'Arcy. Ten minutes, Senator.

Senator Michael D'Arcy: Mr. Goggin, you are very welcome.

Mr. Brian Goggin: Thank you.

Senator Michael D'Arcy: Can I return back to the day of the guarantee, and you were in Dame Street?

Mr. Brian Goggin: On the morning of the 29th I was in Dame Street. Yes.

Senator Michael D'Arcy: Who did you meet on that morning?

Mr. Brian Goggin: I can't recall specifically who I met, but the majority of the meetings that I attended from late 2007 onwards were invariably chaired by the Governor of the Central Bank, now, and he would have had in attendance with him quite a number of officials.

Senator Michael D'Arcy: And did you meet the Governor of the Central Bank of Ireland on that morning?

Mr. Brian Goggin: On that morning ... I could have. I can't be absolutely certain.

Senator Michael D'Arcy: What was the primary message from that meeting to yourself?

Mr. Brian Goggin: The primary message from that meeting is would I consider taking over Irish Life & Permanent in a scenario where Anglo Irish Bank and Irish Nationwide would already have failed and a Government guarantee would have been provided to all of the remaining surviving banks. Now that was a pretty significant ask.

Senator Michael D'Arcy: It was a big message.

Mr. Brian Goggin: Well it was, and it also went to the core of, I suppose, the evolving and rapidly developing situation. I should just state for the record, that the concern about Irish Life & Permanent was to do with liquidity not to do with asset quality.

Senator Michael D'Arcy: And, can I ask Mr. Goggin, I mean, effectively, it was an attempt to reconfigure Irish banking. Would that be a fair assessment?

Mr. Brian Goggin: I think its purpose was to prevent a sequential collapse of individual banks and to provide stability to the banking system.

Senator Michael D'Arcy: And in that conversation was it made known to you that Anglo Irish Bank could possibly default the next day?

Mr. Brian Goggin: No, that was not made clear to me at the meeting in Dame Street. When I became aware of the virtual certainty of Anglo defaulting the next day, it was the chairman of Anglo Irish Bank who informed me of that in the presence of my own governor at 2.30 p.m. that afternoon.

Senator Michael D'Arcy: And at the meeting that was held with your governor and the Governor of the Central Bank of Ireland at 4 p.m., was your governor made aware that Anglo potentially - you used the term "virtual certainty" - would default the next day?

Mr. Brian Goggin: Oh he was. Sure the governor of Bank of Ireland, Senator, was at the meeting with me at 2.30 p.m. earlier that afternoon when the chairman and chief executive of Anglo Irish came to us.

Senator Michael D'Arcy: I understand that, but what I am trying to explore is the Governor of the Central Bank of Ireland, was he absolutely aware that Anglo Irish Bank, in your term, was virtually certain to default the next day?

Mr. Brian Goggin: Oh, sorry. I apologise. I got the two governors mixed up. My mistake. No, do you see ... the Governor of the Central Bank and officials of the Central Bank were always extremely circumspect in ensuring that they did not divulge the names of other banks to a bank. So many of the meetings I had when they would have talked about hypothetical situations, they would have talked about bank A, B, C or D or bank 1, 2, 3 and 4. At various stages over the period from late 2007 right up to 29 September, I often came out of Dame Street scratching my head as to which bank was A and which bank was D. It seemed to change and vary based on the conversation, but I never knew. That-----

Senator Michael D'Arcy: Can you clarify this for me though, please, because I think it is important? The meeting you held in Dame Street that morning-----

Mr. Brian Goggin: Yes.

Senator Michael D'Arcy: -----when you were asked to take over IL&P, was it clear that it was IL&P? Did you know it was IL&P?

Mr. Brian Goggin: Oh I did, yes.

Senator Michael D'Arcy: And did you also-----

Mr. Brian Goggin: I am sorry. Let me be very clear. From my recollection, that was probably the first meeting I had in Dame Street when specific names of banks were put on the table.

Senator Michael D'Arcy: And was it also made clear to you that two banks were named, Anglo and INBS were going to be the two banks that would be not entering a reconfiguration process?

Mr. Brian Goggin: Yes, the scenario ...and remember this was a hypothetical scenario now. I wasn't being asked to take over Irish Life & Permanent on that very day, as I had been asked that afternoon in relation to Anglo, so this was a hypothetical situation. It was presented on the basis that the Anglo and Nationwide would have already failed and a Government guarantee would have been provided for the remaining banks.

Senator Michael D'Arcy: Okay, and in that scenario, for you, as an experienced banker, Mr. Goggin, is it possible that the ECB would not have known that these conversations were being held in the Central Bank of Ireland on 29 September?

Mr. Brian Goggin: Oh, Senator, I just couldn't offer a view on that. Our relationship was with the Central Bank and that's as far as it went. I have no idea what conversations the Central Bank would have had with the ECB on these matters. I would add, that the ECB at that juncture, I don't think, had a regulatory responsibility for banking. It had a monetary responsibility across the eurozone. I don't think it had a regulatory responsibility.

Senator Michael D'Arcy: Can I move on please to document BOI - B2? I'm just going to talk in the general about this document.

Mr. Brian Goggin: Which page are you on?

Senator Michael D'Arcy: Sorry, it is BOI - B2, Vol. 1. I'm just going to talk about the document in general.

Mr. Brian Goggin: Yes.

Senator Michael D'Arcy: A term keeps coming up, Mr. Goggin. It is, "Bank of Ireland to protect the franchise...". Is that a term that you understand?

Mr. Brian Goggin: Oh, I do indeed.

Senator Michael D'Arcy: Could you explain to the committee what protecting the franchise means?

Mr. Brian Goggin: Bank of Ireland had a market share across most of its product lines, ranging depending on which product line one would pick, but market shares ranging from kind of high teens right up to mid-30s, mid-30s in the case of working accounts or current accounts. As you are aware, Bank of Ireland had a significant distributed network, i.e. through its branch channel. So the Bank of Ireland brand and Bank of Ireland presence in the marketplace was of a significance in terms of supporting customers, supporting the economy, etc. So that was the Bank of Ireland franchise - a very strong brand, a very trusted brand, so our franchise was our customer base, our propositions and the whole integrity of Bank of Ireland in Ireland.

Senator Michael D'Arcy: Can I move to BOI - R3b?

Mr. Brian Goggin: Just give me a second. I've got that. Yes.

Senator Michael D'Arcy: I'm actually on page 9, but it is a group response to a committee meeting on 25 August 2003.

Mr. Brian Goggin: Yes, yes.

Senator Michael D'Arcy: You have an issue with Dame Street, with the Governor, chairman of IFSRA and I'm going to read a quotation.

Mr. Brian Goggin: Which page are you on now?

Senator Michael D'Arcy: Page 8, please. Halfway down, bullet point 1, 2 and 3. Bullet point 4.

Mr. Brian Goggin: One, two, three, four. Yes.

Senator Michael D'Arcy: This is a follow-on from protecting the franchise:

> It was questioned whether, in writing to the Governor/Chairman, IFSRA had been fully aware of the Group's governance structure (i.e. that GRPC is the Court sub-committee for dealing with risk policy in the first instance) or whether this could be seen as implying that IFSRA lacked confidence in Executive Management to the point where it felt that it had to go "over their heads". IFSRA's approach was contrasted with that of FSA. [It was questioned whether] IFSRA was seeking to influence and direct the Group's risk policies. BOI experience with FSA was that, while they express strong opinions from time to time, they do not dictate policy to UK institutions.

I am going to the conclusion, Chairman, on page 9, "It was agreed that prior to issuing any formal written rebuttal, BJG [I think is yourself]-----

Mr. Brian Goggin: That's me.

Senator Michael D'Arcy: -----"and JGC" - is that Mr. Collins?

Mr. Brian Goggin: Correct.

Senator Michael D'Arcy: -----"would seek an early meeting with Dr. Liam O'Reilly, Chief Executive and Mr. Pat Neary, Head of Prudential Supervision. The main objectives of the meeting would be to make them aware of BOI's deep concern and to ask that the IFSRA letters be withdrawn."

Mr. Brian Goggin: Yes.

Senator Michael D'Arcy: Mr. Goggin, the relationship between Bank of Ireland and IF-

SRA leads me to my final question about exceptions, and the exceptions-----

Mr. Brian Goggin: Sorry, where-----

Chairman: You are over your time so I need to push you to the final question.

Mr. Brian Goggin: Which book are you on now?

Senator Michael D'Arcy: I will give it to you - BOI - B2.

Mr. Brian Goggin: B2. Yes. The page?

Senator Michael D'Arcy: Page ... I'm sorry, one moment. Pages 51 to 60, in particular page 55.

Mr. Brian Goggin: Yes.

Senator Michael D'Arcy: Bottom of page 55:

> Bank of Ireland transferred 191 connections to NAMA with aggregate nominal value of €9.760 billion. Cases including policy exceptions have been identified in 139 out of 191 connections (73%).

Can I ask, Mr. Goggin-----

Chairman: Last question, Senator.

Senator Michael D'Arcy: I'm asking the question, Chairman.

Chairman: Yes, indeed.

Senator Michael D'Arcy: Can I ask, Mr. Goggin, was the exception the rule and the rule the exception?

Mr. Brian Goggin: I think, Senator, based on the submission by Bank of Ireland under category 16 and 17 here, that's a very reasonable question. Bank of Ireland had a very, very deliberate policy of keeping credit policy tight and dealing with exceptions on an exceptions basis and I can go back to 1996, when I was appointed to the senior management team at Bank of Ireland and I joined the credit committee for the first time, and we dealt with exceptions back then and I recall at one stage myself even saying, "Why do we consider exceptions? Should we not broaden the policy?" And I got a very early lesson in terms of the culture of Bank of Ireland at that level and I was informed that the policy of the bank was very much to keep the credit policy rigid and tight and to force exceptions into a deliberate decision-making process and I would submit, Senator, that that approach, notwithstanding the fact that the level of exceptions reported here appear high, although the paper is somewhat qualified, I would submit-----

Senator Michael D'Arcy: Very little qualified.

Mr. Brian Goggin: -----that the credit strategies adopted and pursued consistently by Bank of Ireland and its manner of forcing policy exceptions into a very structured and deliberate decision-making process protected Bank of Ireland from the worst of what happened in Ireland in terms of the fallout.

Chairman: Okay, thank you very much. I just want to deal with one matter there, before we move on, and it's core document BOI - Vol. 1, C3b, Mr. Goggin. Earlier there, you said-----

Mr. Brian Goggin: Which page? Which page, Chairman?

Chairman: It's page 4, paragraph 2.

Mr. Brian Goggin: Page 4, yes.

Chairman: It's just to tidy up the issue there with regard to INBS. Did you say earlier that the issue didn't go to the board of Bank of Ireland?

Mr. Brian Goggin: I did, but it was a different issue. I was responding to the question to me, I think it was from Deputy Doherty, in relation to a due diligence exercise that was reported in an AIB board minute. This particular piece refers to the exercise that was carried out-----

Chairman: I'll just explain to the committee-----

Mr. Brian Goggin: -----over the weekend of 6 and 7 September.

Chairman: Yes. It's the court minute extract at 3 October 2008.

Mr. Brian Goggin: Yes, yes.

Chairman: That's all right, yes.

Mr. Brian Goggin: But this is relating to the team that we had put in to the ... into Dame Street on the weekend of 6 and 7 September to review the liability profile of Irish Nationwide. That was a separate issue.

Chairman: Okay. So, the board were aware-----

Mr. Brian Goggin: Oh, they were.

Chairman: -----of the extract there. It says, "Mr. Goggin recalled the conclusion at the previous Court in relation to INBS, that the Governor and Group CEO should open channels of communication directly with Government, at political as well as official level, and confirmed that this had been done and remains active."

Mr. Brian Goggin: Yes, in fact, Chairman, the board of Bank of Ireland met on the Sunday evening, 7 September, to receive management's assessment of the exercise we had been asked to carry out by the regulatory authorities on the Saturday and Sunday of that weekend, so the matter was absolutely reported to the board. The actual minute of that meeting is somewhere in the papers because I recall reading it and I should add that, at that meeting in Dame Street, when we saw the grave situation of Irish Nationwide's funding, we indicated to the regulator that the better option would have been to nationalise Irish Nationwide at that time and to prevent it from having contagion effect across the banking system. And that position adopted by management was endorsed and supported by the board of the Bank of Ireland at that board meeting on the night of the 7 September, Sunday, 7 September 2008.

Chairman: Thank you. Deputy Joe Higgins?

Deputy Joe Higgins: Mr. Goggin, regarding residential investment property lending-----

Mr. Brian Goggin: Are you referring to a document?

Deputy Joe Higgins: No, I'm just going to ask you-----

Mr. Brian Goggin: Oh yes, okay.

Deputy Joe Higgins: -----a few questions. It doubled within Bank of Ireland over 15 months, from 2003 to September 2004.

Mr. Brian Goggin: Which did?

Deputy Joe Higgins: Residential investment property lending.

Mr. Brian Goggin: Yes.

Deputy Joe Higgins: Okay?

Mr. Brian Goggin: Yes.

Deputy Joe Higgins: And that's for lending to people who want to become landlords?

Mr. Brian Goggin: Buy-to-lets, yes.

Deputy Joe Higgins: Buy-to-lets etc., right?

Mr. Brian Goggin: Yes.

Deputy Joe Higgins: Now, at a group risk policy committee on 22 November 2004, reference is made in that to the last discussion on residential investment lending, which took place in April 2003, four concerns were outlined.

Mr. Brian Goggin: Are you referring to the GRPC minute?

Deputy Joe Higgins: Yes.

Mr. Brian Goggin: Can you give me the reference, please?

Deputy Joe Higgins: The reference is BOI - Vol. 1, B2, page 63 to 67.

Mr. Brian Goggin: BOI, B2, pages 60-----

Deputy Joe Higgins: Sixty-three to 67.

Mr. Brian Goggin: Okay, yes. I have that now, yes.

Deputy Joe Higgins: Okay. There were four key concerns I'm just extracting. Significant increase in rental property supply; falling rental yields due to increased capital values; residential investment property lendings are not self-financing except at low loan-to-value ratios; and then the book is mostly new because it expanded so fast. So, they are serious concerns that were outlined in April 2003.

Mr. Brian Goggin: Yes.

Deputy Joe Higgins: Should the bank have seen warning signs and not continue to grow at such a fast level this sector?

Mr. Brian Goggin: Well I, if I ... I can't read all this note now while I'm sitting here, but my recollection is that, you know, this particular discussion, I think there was a proposal to tighten the criteria of lending at that juncture. If I-----

Deputy Joe Higgins: For amateurs?

Mr. Brian Goggin: Yes, yes, correct. Yes, not for professional buy-to-lets.

Deputy Joe Higgins: Yes.

Mr. Brian Goggin: Yes, but if I project forward, I looked at the composition of new mortgage lending in the periods ending September 2005, 2006 and 2007 - I might be one year out in that - but I was, in preparing for today, I was keen to understand the loan-to-value profile of new business origination in a period of quite significant growth and for the RILs, or the buy-to-lets that you're referring to, Deputy, the average LTVs of new business written in those three annual periods, ending September of each year, was in the order of 60%. So, there was significant equity being contributed to the RILs or buy-to-lets in that origination period.

Deputy Joe Higgins: Yes, but, Mr. Goggin, you allowed 40% of amateur investors in that time interest-only loans. Was there not a serious risk in relation to that, by allowing a roll-up of the interest?

Mr. Brian Goggin: No, the interest, Deputy, wasn't rolling up. The interest was being paid, but that's all that was being paid. There was no repayment of capital being made.

Deputy Joe Higgins: Yes, but even so?

Mr. Brian Goggin: Yes, well, look, that was the market at the time. With the benefit of hindsight, perhaps there should have been a tighter policy. You know, the view back then, with the benefit of hindsight, you know, might have led us to a different conclusion. I mean, the view then was-----

Deputy Joe Higgins: Yes, would you ... would you-----

Mr. Brian Goggin: -----you could invest in a buy-to-let. The interest income would more than cover the debt service, i.e., interest, and, you know, the property would obviously, you know, increase in value.

Deputy Joe Higgins: Mr. Goggin-----

Mr. Brian Goggin: That was the investment proposition from the professional buy-to-let borrower.

Deputy Joe Higgins: Yes. Are you aware of the evidence that Professor Bill Black, the US regulator, former financial prosecutor, gave to this committee?

Mr. Brian Goggin: No, I didn't watch his evidence, but I'm broadly aware of-----

Deputy Joe Higgins: Of Mr. Black, yes?

Mr. Brian Goggin: I am indeed, yes.

Deputy Joe Higgins: And he outlined a recipe for banks which he alleges the recipe is: grow like crazy, make terrible quality loans resulting in record profits for a period, senior leadership made wealthy and then catastrophic losses. Do you recognise that in relation to the Bank of Ireland?

Mr. Brian Goggin: I most certainly do not.

Deputy Joe Higgins: Well, your growth ... the growth of Bank of Ireland balance sheet in 2004, 2005 and 2006 was average of 20%. Loans of €9 billion was transferred to NAMA. Your profits double from 2004 to 2007, and you yourself earn €12 million in that time; is that not a justification, or is it, of what Professor Black says?

Mr. Brian Goggin: I don't believe so. I can certainly see where you're coming from in terms of drawing comparisons and similarities, but as I mentioned earlier in my evidence, the rigour around decision-making in Bank of Ireland, the credit strategies adopted by Bank of Ireland, I think ultimately stood the test of time, and Bank of Ireland was not run in the manner suggested by the characterisation of how you've outlined Professor Bill Black's position.

Deputy Joe Higgins: If it stood the test of time, how did €9.9 billion bad loans result?

Mr. Brian Goggin: The economy collapsed, the property market collapsed. Look, no matter how conservative a bank is, and Bank of Ireland was pretty conservative, but it still got caught. No matter how conservative a bank is, if you've got a 60% correction in property prices, no bank can withstand that.

Deputy Joe Higgins: Can I ask you in relation to, just a second ... Yes, Professor Morgan Kelly in 2006 or 2007 could refer to about 30 studies of housing and property bubbles around the world, all of which, without exception, collapsed catastrophically. Why couldn't senior bankers be aware of this, which was well worked out in the previous 20 years, and know that what you were doing with the huge lending, etc., the huge property inflation in prices, that it was going to end in tears?

Mr. Brian Goggin: Well, you know, Deputy, with respect, if for an instant I thought that what we were doing was going to end in tears, I wouldn't have done it. It's very easy to be wise, you know, with the benefit of hindsight. The fundamentals driving the expansion of the Irish economy, the growth in housing formation, our demographics, our economic expansion, you know, these were all feeding into real demand, as such. But, you know, looking back with the benefit of hindsight we can now see what has happened.

Deputy Joe Higgins: Well, I did read myself academic studies in the late 90s which would have predicted what happened in Ireland. I've asked bankers that came in here why they weren't aware of it, but they weren't.

Mr. Brian Goggin: But, Deputy, you know, we ran ... we ran stress tests, you know, and, you know, I'm not sitting here before you all hiding behind stress tests. You know, information and statistics are only as good as the inputs. But we had pretty sophisticated stress testing, modelling, and I did indicate earlier on that in the Basel II process as we, kind of, transitioned towards it, we ran stress tests. One of the stress tests we ran was for a sudden, and I emphasise the word "sudden"-----

Deputy Joe Higgins: Yes?

Mr. Brian Goggin: -----drop of 20% in property values, residential property values.

Deputy Joe Higgins: Yes.

Mr. Brian Goggin: We did not envisage the scale of what happened. That is the truth.

Deputy Joe Higgins: Yes, and-----

Mr. Brian Goggin: And that's what got-----

Deputy Joe Higgins: -----you made that point earlier as well. Mr. Goggin, do you work with Apollo Global Management currently?

Mr. Brian Goggin: I have a relationship with Apollo Global Management, yes.

Deputy Joe Higgins: Yes, it's sometimes referred to as a vulture fund, buying up properties, including those that the taxpayers bailed out. Can I refer to an article in *herald.ie* in 2011, and I'll just quote from the article in relation to that, and ask you if you agree or disagree? It refers to Apollo and to Mr. Goggin buying distressed property loans from the Irish banks at a hefty discount, and then selling them on at a profit, and then:

> Having presided over the creation of a banking crisis with his risky lending policies at Bank of Ireland, Mr. Goggin now hopes to profit from the mess by buying those loans on the cheap. Has this man no shame? Does he not realise the outrage felt by Irish taxpayers, who were raped and pillaged to pay for the bank's blunders, towards the former bank bosses?

Is that fair comment? Do you ... or would you vehemently disagree with that?

Mr. Brian Goggin: I think I'd have to ask for Chairman's guidance here. I'm here giving evidence on behalf of Bank of Ireland.

Chairman: Yes, I'll just come in. It may be without ... not within the terms of reference, so I will give you the leverage, Mr. Goggin, to either choose to respond to it or not.

Mr. Brian Goggin: I'm perfectly happy to accept that, Chairman. Thank you.

Chairman: Okay, thank you.

Deputy Joe Higgins: What's your ruling, Chair?

Chairman: The question drifts outside the terms of reference, so Mr. Goggin cannot be compelled to answer it. Now, I can give you, if you wish to reframe the question or to approach it from a different angle that brings it within the terms of reference, Deputy Higgins, I can facilitate that. But Mr. Goggin is within his rights not to-----

Deputy Joe Higgins: Well, let me just ask Mr. Goggin perhaps that ... from the point of view of ordinary people out there and the taxpayer, who have, I think we can agree, suffered grievously as a result of the banking and bubble crash, and the austerity that was ushered in as a result, do you understand, Mr. Goggin, how victims of that crash might be extremely angry at you and those other bankers, whom they hold responsible for the crash, or a significant part of it-----

Chairman: Deputy.

Deputy Joe Higgins: Do you understand how they would feel aggrieved and angry?

Mr. Brian Goggin: I do.

Deputy Joe Higgins: Are they justified?

Mr. Brian Goggin: You pointed a finger directly at bankers. I would say that the difficulties experienced in Ireland went much wider than that. There was quite a confluence of issues that brought the entire economic collapse to the floor. I don't think all banks should be cast in the same manner. I accept responsibility for the stewardship that I had at Bank of Ireland at the time. But I think, you know, one should be careful in terms of including everybody in generalised statements. But with regard to the, I think, the expression of a kind of support and concern that you've made, Deputy, yes, I can absolutely identify with that, and throughout my working life, I always showed concern and compassion for customers who got into difficulty, and customers got into difficulty even in the good times.

Chairman: Okay, thank you. Just to ... in Deputy Higgins's earlier question to you there, speaking about the risk concentrations and so forth, I want to delve into the issue of interest roll-up facilities that were being provided. Deputy Higgins was talking about the buy-to-let sector, and to talk about maybe the more investment, high development area. And in doing so just to reference the core documents, Bank of Ireland, I think it's page 99 of-----

Mr. Brian Goggin: Of which document, Chairman?

Chairman: B2. BOI - B2.

Mr. Brian Goggin: Page?

Chairman: Page 99. And just in the second paragraph of that, you ... this relates to what was a review of group risk policy committee land bank limits and interest roll-ups, July '08. It's an extract from that, Mr Goggin.

Mr. Brian Goggin: Yes, I have this document, yes. And your ... sorry, your question is, Chairman?

Chairman: Okay. I'll just take the paragraph there for us that says, "The BBRoI Landbank book is approaching its limit and, without any new deals, is generating an additional €50m in exposure every six months as interest roll up facilities accumulate into principal balances." Would you care to comment upon how this was happening, and how the impact of the interest roll-up was actually impacting upon the bank's performance?

Mr. Brian Goggin: Okay. The roll-up of interest in a land bank transaction was perfectly in accordance with policy. We would lend money to a residential property developer A. That site would not generate any cash flow until such time as sales began to flow through. So in assessing the transaction in the first instance and in agreeing to lend them money we would look at the aggregation of the likely outcome in terms of the amount of cash that the developer could expect to generate from selling the houses, and we would build into our loan-to-value limits an allowance for the roll-up of interest during the building period. So that was perfectly normal, perfectly within policy, and perfectly understandable in the context of a residential development transaction.

Chairman: Yes. And in the establishment of these loans and just the process to getting them into place, were there specific financial covenants in place?

Mr. Brian Goggin: Yes, there would have been, yes. Loan-to-value in particular, and that's why I was referencing the fact that the loan-to-value cap would have built in a sum for interest roll-up during the build-out phase.

Chairman: Okay. So, through ... you're saying that there were specific financial covenants in place?

Mr. Brian Goggin: Yes.

Chairman: For these? And did that give the bank then ... did you believe then that the bank had sufficient means to monitor the performance of the increase risk of the loans, loan book that would happen as a result of this?

Mr. Brian Goggin: Yes.

Chairman: Okay, right. Thank you. Moving on I now bring in Senator Sean Barrett, ten minutes.

Senator Sean D. Barrett: Thank you Chairman and welcome Mr. Goggin.

Mr. Brian Goggin: Thank you Senator.

Senator Sean D. Barrett: You said that when you discussed the 100% mortgages with the regulator in mid-2006, your proposal was a 90% one and that he said to you, ''It's not my job to intervene in markets''. I hope I got that-----

Mr. Brian Goggin: Yes, yes.

Senator Sean D. Barrett: Could you expand on that? How ... why did he not want to intervene? Was that not the function of a regulator in many ways?

Mr. Brian Goggin: Well that's why I asked him the question in the first instance to be quite honest about it. I expressed my concern about the proposal that was intended. If I go back in my history in banking, I can remember back to periods where there were, you know, monetary amounts set as limits for credit expansion. I'm going back now to the pre-euro times, I'm going back to the Irish pound. So my prior experience of regulatory interventions were such that I saw no reason why the regulator wouldn't intervene in an environment where the market was just getting out of hand and that's why I proposed and suggested to him in response to the suggestion he was making that this would be a much preferable way of dealing with it from my perspective. And that's why I volunteered to come out publicly and fully back that decision, were he minded to make it.

Senator Sean D. Barrett: And were there other instances of that so called light-touch regulation' that you found in your discussions with the regulator?

Mr. Brian Goggin: No. I didn't have a huge amount of interaction with the regulatory authorities through most of my period as CEO. I became very involved with them from kind of 2007 on. Much of the interaction was occurring, you know, through the regulatory risk and finance areas with the regulatory authorities. I might have an annual relationship type meeting with the Governor and the head of the regulatory body but I had very little detailed interaction on a day-to-day basis.

Senator Sean D. Barrett: And did the regulator come to the bank or did you go to see him?

Mr. Brian Goggin: It's interesting that you should pick up on that because it was quite significant. It was the only time the regulator ever came to my office. I'd normally, if he wished to see me, he would ask me to come to see him. But on this occasion he actually came to see me.

Senator Sean D. Barrett: And after the introduction of the euro, did the regulation in any way move from Ireland to Frankfurt?

Mr. Brian Goggin: No. No, I don't think ... Frankfurt only, as I understand it, got a remit on the regulatory front in the last year or so.

Senator Sean D. Barrett: So did you ever meet any officials from the ECB?

Mr. Brian Goggin: I did. I was invited to participate in a round table discussion forum, you know, chaired by the then president of the ECB. I think it was an annual or a semi-annual meeting. I didn't make them all but it was more macroeconomic views across Europe. It was an opportunity to network with chief executives of banks across Europe.

Senator Sean D. Barrett: So it was networking rather than regulation.

Mr. Brian Goggin: Yes. There would have been, Senator ... there wouldn't have been any discussion about regulation. The ECB wouldn't have had that brief at the time. It was more to do with monetary policy, the euro, that type of framework.

Senator Sean D. Barrett: And Mr. Trichet was presiding?

Mr. Brian Goggin: He was.

Senator Sean D. Barrett: Was there concern about ... you mentioned about the level of wholesale borrowing, although you're fairly at ease with it. Other economists would be worried that it was a source of instability because those said funds can flow away. Was there concern that the way the euro was designed could bring down banks in small countries with those massive flows in and out?

Mr. Brian Goggin: No, I don't think the thinking ever advanced to that level to be quite honest.

Senator Sean D. Barrett: You mentioned to Deputy McGrath that the loan-to-deposits peaked at 176% in 2008 and it's 120% or so currently. Is that broadly -----

Mr. Brian Goggin: I'm not quite sure what it is currently. In fact it might even have been less than that. The bank would have reported its results to the end of 2014 just recently.

Senator Sean D. Barrett: And the other index of that kind that's presented to the committee is concentration on two sectors. Now it seems from what you've been saying that you decided to concentrate on construction and they recommend 250%, isn't that right, for the concentration of the two sectors? What was the highest figure that Bank of Ireland went to, can you recall?

Mr. Brian Goggin: I wasn't familiar with the risk concentration framework that you've just described until I'd read it in the core documents and I might refer to the documents in a moment if I can remember where they are. But when I investigated the issue in preparing for today, I saw very clearly that there was a difference of interpretation in terms of how one would describe an economic activity or activities and which ones had a correlation to a predominant risk factor. In the case of Bank of Ireland, our submissions disaggregated three of the factors and broke them into two different buckets - two in one and one in the other. The two carry the 250% limit and the one carried a 200% limit. I looked at a letter written from the bank's regulatory unit back to the Central Bank in 2006 and, from memory, the bank was well within those limits at that time as described by Bank of Ireland.

Senator Sean D. Barrett: As the bank since 1783 you were describing was going towards having to be rescued, did your accountants, PwC have any observations in 2007 and 2008 that there was trouble imminent?

Mr. Brian Goggin: Certainly not in 2007. In 2008 we would have, you know, ourselves begun to realise that the economy was beginning to slow down quite significantly and unemployment was beginning to pick up, that property prices were beginning to slow. I mean the period up until September '08 I think the property prices, residential property prices should I add, had only declined by 8%. But no, PwC wouldn't have from my recollection expressed a particular concern other than the one we ourselves would have been dealing with as a management and as a board.

Senator Sean D. Barrett: And there was a 43% discount on your properties transferred to NAMA. Do you know now did you fund any ghost estates?

Mr. Brian Goggin: The short answer to that question is "I don't know". Indeed, the whole transfer of assets to NAMA occurred in 2010. I retired in February 2009. But if I was to offer a view I'm sure there were some to be quite honest. But I don't know for a fact.

Senator Sean D. Barrett: Were there contrarians at all in Bank of Ireland when people like Morgan Kelly began to write about this and when *The Economist* house price index showed that Ireland was way out of line in house price inflation, you know, all through the period leading up to the rescue and the bailout?

Chairman: There's a question I need to get in now as a result. So if you could just maybe very prompt at this-----

Senator Sean D. Barrett: I will indeed. Thank you, Chairman.

Chairman: I need to allow time in the questioning for it to happen.

Senator Sean D. Barrett: Did anybody table that *The Economist* house price index because it would have warned people that Ireland was way out of line in house price inflation?

Mr. Brian Goggin: The short answer is "No". Morgan Kelly's view looking back with the benefit of hindsight, you know, should have been taken more seriously and it wasn't. I myself, you know, in my meetings with Peter Nyberg for the Nyberg commission said to him, you know, that I was disappointed myself that I didn't take myself a more contrarian view or that I didn't inject into the strategic policy making process a more contrarian view.

Senator Sean D. Barrett: Thank you very much, Chairman.

Chairman: Thank you very much, Senator. I would just wish to come back to something there. It's to do with the wholesale funding. Mr. Goggin. There are two reports on it. They both relate to core documents Bank of Ireland B3 and they spread over pages 15 to 21.

Mr. Brian Goggin: Hold on one tick now, B3.

Chairman: B3.

Mr. Brian Goggin: I had all these in order starting out but they've got shuffled now.

Chairman: That's fine. I've shuffled them up meself as well. Pages 15 to 21.

Mr. Brian Goggin: Okay, I got you.

Chairman: In summary over those pages, in 2001 wholesale borrowings in Bank of Ireland were €16.7 billion and accounted for 22.6% of the funding and, by March 2007, these figures were €79.9 billion and 45%, respectively. Now that's a very, very measurable and significant increase in figures if you forget about the percentages when you just look at the sum to which the percentages are being drawn from. So in this regard, this may indicate that your institution showed an increased reliance on wholesale funding from 2005 to finance growth in your own portfolio. Were you aware at any time that this might be an issue and did you regard this as presenting a fundamental risk?

Mr. Brian Goggin: No, I was wide awake and alert to this development. It was a fundamental decision in the detailed strategic process that we undertook in 2005 and 2006. It was an informed and fundamental decision underpinning that strategy that we could grow wholesale funding in the manner that we did. And that was a mistake.

Chairman: Okay, so this comes back to our earlier conversation of this morning where there are concerns with borrowing short and lending long with that money. We see an acceleration of that model moving from €16.7 billion up to €79.9 billion.

Mr. Brian Goggin: No, there wasn't, Chairman, and a reason for that is that 44% of the €144 billion of lending was to residential mortgages with contractual terms going out to 35 years and there was no way you could match fund a book like that. So the fundamental banking model throughout the majority of my working life was to borrow short and lend long - it was a fundamental feature -----

Chairman: But earlier this morning we discussed the risk factors that were arising because of loan-deposit ratios, so this has to be looked at in that context as well.

Mr. Brian Goggin: Sure.

Chairman: And that wasn't a cause of concern or risk to the -----

Mr. Brian Goggin: No, because again we looked at access to ... we examined the wholesale markets ... you can see from these papers the array of facilities and arrangements that we had put in place ... but look ...at the end of the day, if a bank displays evidence of difficulty, the ordinary depositors would be gone as fast as the wholesale depositors.

Chairman: And does that not create its own dynamic in terms of comments like "don't scare the horses", and that creates a behaviour in its own regard by an institution?

Mr. Brian Goggin: No, I mean ... I think, I think at the end of the day -----

Chairman: If they are not to frighten depositors?

Mr. Brian Goggin: No, I think ... No, at the end of the day, you know, in structuring a very complex business which is what Bank of Ireland was and is, you look at how you can fund it, where you can get your capital, how you underwrite your risk, how you calibrate the risk, and you make a series of decisions, ultimately, in an integrated format and you consider all aspects of that strategy in terms of the risks applying to it. We made a decision, we made a very deliberate decision, to increase our wholesale funding to grow our business.

Chairman: Thank you, Mr. Goggin. Deputy Eoghan Murphy.

Deputy Eoghan Murphy: Thank you, Chairman, and thank you, Mr. Goggin. If I could bring your attention to BOI - B2, Vol. 1, page 23.

Mr. Brian Goggin: Yes.

Deputy Eoghan Murphy: It's about the establishment of a dedicated property unit.

Mr. Brian Goggin: I referenced this earlier on, yes.

Deputy Eoghan Murphy: This document is from 9 November 2004. So I just want to read out a couple of bits from it:

> The Property Market in the Republic is shaped and controlled by less than 100 key players. In the past 5 years we have under performed in this top end market, which has been dominated by Banks with specialist property units, most notably Anglo Irish Bank. [...] A dedicated property unit is being established in Corporate that will be responsible for managing relationships with total group exposure in excess of €30m.

Whose initiative was that new unit?

Mr. Brian Goggin: It was ... what's the date of this again?

Deputy Eoghan Murphy: It's not dated on the document itself but it's from November 2004.

Mr. Brian Goggin: That would have flowed out of whatever the strategy we had at the time into our annual operating plan and it would have been a decision of management in terms of executing that strategy to do this.

Deputy Eoghan Murphy: Were you CEO at the time?

Mr. Brian Goggin: When did you say it was?

Deputy Eoghan Murphy: November 2004.

Mr. Brian Goggin: I was.

Deputy Eoghan Murphy: You were. Okay. So this would have been a decision taken by you as CEO, with the approval of the board or how would that work?

Mr. Brian Goggin: Yes, well ... the strategy would have been approved by the board. I had authority, once approved, to implement that strategy.

Deputy Eoghan Murphy: Okay, so can you remember who looked at Anglo Irish Bank and said, "They have a specialist property unit, we should have one too"?

Mr. Brian Goggin: You know, I'm not quite sure it was quite as blunt as that. We looked at the entirety of the market. The bank had been involved, and was involved in property over a period of years but this was clearly a market segment that our conservatism had excluded us from to a significant degree and, on examining it, we saw opportunities in it. I think the manner in which we kind of pursued those opportunities were consistent with the economic expansion in Ireland, the building of shopping centres, the building of roads, the building of bridges. This unit was also focused very much on the UK market.

Deputy Eoghan Murphy: Am I right in understanding, though, that you restructured departments in the bank to establish this property unit because of what Anglo was doing?

Mr. Brian Goggin: No, not exclusively because of Anglo. It was to avail of the opportunities that were emerging in the market. Anglo happened to have a particular business model. Anglo was a monoline. Bank of Ireland was a very different bank. The Chairman referenced earlier on that 22% or 24% of GDP was coming from construction-related activity so this was a huge piece of the economic engine in Ireland at the time so I was responding to that, not responding to Anglo Irish Bank.

Deputy Eoghan Murphy: But you specifically mentioned Anglo Irish Bank in the note here, and them having a specialist property unit. And you're setting up a dedicated property unit, so are you imitating Anglo Irish Bank?

Mr. Brian Goggin: No. Bank of Ireland never imitated Anglo Irish Bank.

Deputy Eoghan Murphy: So why are they referenced here in the establishment of this property unit, which was a restructuring in the bank?

Mr. Brian Goggin: Yes, Anglo Irish Bank, you know, was the player in the property market. That's all Anglo Irish did was property. They seized the opportunity, as the economy was reshaping, and I go back again to the comment about the proportion of GDP made up by construction, and Anglo was in there. They were seen by the marketplace in terms of their PE rating, they were acknowledged by analysts, they were you know, acknowledged by everybody. We did not follow them, but we had to recognise them as a bank that had clearly identified an opportunity.

Deputy Eoghan Murphy: You did not follow them but you copied them?

Mr. Brian Goggin: No, we most certainly didn't copy them either.

Deputy Eoghan Murphy: But they had a property unit, and then you had a property unit -----

Mr. Brian Goggin: Yes, but sure all banks had a property unit. Look ... there -----

Deputy Eoghan Murphy: Why did you not mention the other banks then?

Mr. Brian Goggin: Maybe we should have, I mean ... you know, the property unit here was set up in the area of the bank that had the highest order of sophisticated skills for dealing with complex credits, so in setting it up we positioned it in the part of the bank that was best equipped from a skills and experience perspective to consider that market opportunity and to underwrite risk in that market opportunity.

Deputy Eoghan Murphy: The market opportunity that Anglo was taking advantage of.

Mr. Brian Goggin: No, the market opportunity that was a function of the economic expansion at the time. Anglo was a significant participant in it.

Deputy Eoghan Murphy: Okay. What does managing relationships mean? What does it include if a dedicated property unit is being established in corporate that will be responsible for managing relationships?

Mr. Brian Goggin: Yes, the whole business model in corporate banking, and I spent many years in my earlier career working in corporate banking ... A corporate banking relationship manager was assigned a portfolio of relationships. So when I worked in corporate banking, I had 20, 25 very key banking relationships. In my case, they would have been multinational companies, they might have semi-States -----

Deputy Eoghan Murphy: How did you manage then? Through hospitality?

Mr. Brian Goggin: I managed them from the point of view of meeting their banking needs. That might relate to their operating current account, electronic banking, provision of car leasing finance for their fleets - it covered a multitude of things. That's how I was motivated and tasked with managing a relationship.

Deputy Eoghan Murphy: And did it include offering new lending on new terms in a proactive manner?

Mr. Brian Goggin: To the extent that the customer had a need. The driving force for lending demand in the kind of relationships now we are referring to ... these are very sophisticated companies, major Irish quoted companies, public companies ... They might be expanding, they might be investing in plant, they might be making an acquisition. I don't want to mention names but, you know, they're obvious, the ones I am talking about. I had responsibility in my early years for managing relationships like that, and I would meet with the finance director of those companies on a regular basis and ensure that, you know, Bank of Ireland was meeting the needs ... many of these banks ... many of these companies would have been multi-banked.

Deputy Eoghan Murphy: You were looking for new opportunities. That's why this unit was established. So, in looking for new opportunities, were you presenting new opportunities in these relationships with the key lenders ... the key players, as you refer to them?

Mr. Brian Goggin: Yes. I mean, if Bank of Ireland had a proposition that we felt might be of interest to a substantial, sophisticated, multinational connection, oh yes.

Deputy Eoghan Murphy: So you would go to someone then with a proposal for a new loan for them.

Mr. Brian Goggin: It mightn't be a loan. It could be a pension scheme. It could be anything.

Chairman: Are you coming up then to a new line of questioning?

Mr. Brian Goggin: But, yes, lending ... lending was part of the product suite. It was a significant part of the product suite. I would not go, in all probability ... I'm putting myself back in a position which I can relate to as having been a practising corporate banker, you know, company X plc, you know, they weren't going to take money from me just because I said to them, you know, "You should have money." They had to have a fundamental need. They were either expanding; they were growing; they were acquiring, or they were restructuring their banking facilities. That's what gave rise to the need and I wanted to make sure that I was in that frame when the opportunity came around.

Chairman: I'll let the Deputy back in.

Deputy Eoghan Murphy: Thank you. And, just, why was retail property team ... why were they brought into that new unit?

Mr. Brian Goggin: Because the sophistication was in that unit and we felt that from a control and risk management perspective that's where it should be.

Deputy Eoghan Murphy: Private banking had the experience in doing the property-----

Mr. Brian Goggin: Private banking was much smaller-----

Chairman: Deputy, this has been exhausted and I'd like to open up a new line of questioning, if you can, please, or else I'll go into that space.

Deputy Eoghan Murphy: No, thank you, Chairman. If I could take you then to BOI - B4, Vol. 1, Mr. Goggin?

Mr. Brian Goggin: Yes. Which page?

Deputy Eoghan Murphy: Pages 27 through 31.

Mr. Brian Goggin: Yes.

Deputy Eoghan Murphy: So this is documentation from the Financial Regulator, December 2007.

Mr. Brian Goggin: 2007, yes, okay.

Deputy Eoghan Murphy: You see the top of page 27. And it's also got a schedule from December 2007 as well, and where it points out specific findings on page 30, for your bank. "However, it appears that no comprehensive review of exposures to a group of connected borrowers is conducted on an annual basis," at point two. And if you go down then as well to M3 at the bottom of page 30, "Inspectors noted that Private Banking, which has responsibility for certain exposures within the [redacted] Group, did not review facilities provided to two of the principals for a period of over seventeen months." How did these ... how were these internal control issues allowed to arise, that the Financial Regulator had to bring them to your attention?

Mr. Brian Goggin: In any business as substantial and as large as Bank of Ireland, you know, issues will arise from time to time. The response by Bank of Ireland to those findings I have here. It didn't come in my core documents but I requested it of the bank and I can read the answer to you because it deals with these specific issues, just the Bank of Ireland specific issues. In terms of credit reviews, M1:

> Bank of Ireland corporate banking would stress that when it reviews all borrowing relationships, connected exposures are grouped and clearly highlighted in the credit papers. The BOI corporate banking credit unit and/or credit committee therefore have full visibility on the complete risk picture. There are, however, limited situations where exposures are linked by a common shareholder who, indeed, may only have a minority stake in the borrowing vehicle. Where Bank of Ireland corporate banking aggregates these lines with the other exposures for reporting purposes, there may be no financial dependence on that minority shareholder for the connected risk. For these reasons, Bank of Ireland corporate banking believe its approach in these limited situations of aggregating the exposures and reviewing the risks separately is prudent and it can assure the Financial Regulator that where a credit issue arises in a linked exposure, it is promptly reviewed and dealt with, bearing in mind the overall connected limits.

And in relation to M2, the response reads:

> Since credit committee on 30 August 2007, Bank of Ireland corporate banking has exited the [blank] and has achieved a significant reduction in exposure and the risk on the

residual facilities remains within tightly controlled parameters. The strategy remains one of prudence and risk containment to this connection.

So we substantially exited that connection. And the frequency of reviews by private banking, the Financial Regulator's recommendation is accepted and agreed. That was the formal Bank of Ireland response to those issues, Deputy.

Deputy Eoghan Murphy: NAMA faced a problem though later on to the tune of €26 million for properties and lenders where the security wasn't as secure as it should have been, and-----

Mr. Brian Goggin: In relation to Bank of Ireland?

Deputy Eoghan Murphy: Yes. I have the figure here. We paid €26 million in respect of unenforceable security on transferred loans.

Mr. Brian Goggin: I'm ... well, again, the transfers to NAMA occurred, you know, a year and a half or more after I retired, and I wasn't involved in that process.

Deputy Eoghan Murphy: Those loans would have been put in place while you were involved with the bank, as these finance reports ... Financial Regulator reports refer to.

Mr. Brian Goggin: Yes.

Deputy Eoghan Murphy: 2007, they're finding these problems.

Mr. Brian Goggin: The transfers to NAMA ... I mean, we know that Bank of Ireland's share cut was a significant 43% but significantly less than the 59% average. However, the haircut that applied to the €10 billion or so of loans transferred by Bank of Ireland to NAMA, as I understand it ... the haircut applying to imperfections in documentation and security amounted, on a substantial transfer of €10 billion, to 0.10%. So the evidence here points very much to a bank that had its documentation and security in pretty good shape.

Deputy Eoghan Murphy: This €26 million was subsequent to the transfer.

Mr. Brian Goggin: Well, I can't comment on a particular transaction that I'm not familiar with. There ... obviously there was some issue with it in all probability, as you pointed out.

Chairman: Deputy Phelan.

Deputy John Paul Phelan: Thank you, Chair. Good afternoon, Mr. Goggin. Time is limited so-----

Mr. Brian Goggin: Thank you, Deputy.

Deputy John Paul Phelan: -----I'll be as brief as I can in the questioning and I'd ask you to be as brief as you can while answering. I want to turn you to document Vol. 1, C3b, page 3.

Mr. Brian Goggin: C3b, page 3.

Deputy John Paul Phelan: Page 3. It's the first kind of page of information. It's a court minute extract, 3 October 2008.

Mr. Brian Goggin: Right.

Deputy John Paul Phelan: You're referenced at the top of the second paragraph yourself. And in it, at the bottom of that paragraph, there's a quote attributed, I assume, to you, which says that, "$20bn of Group borrowings [...] was due to mature over the next 60 to 90 days and was considered unlikely to roll over." This is about a week after the guarantee. I'd ask you maybe briefly to elaborate on that sum and also, in the absence of a guarantee, what options ... I presume there were options that were considered the previous week, at least, by Bank of Ireland, as to how that €20 billion would be met ... or $20 billion, would be met or not?

Mr. Brian Goggin: Yes, this was $20 billion in the dollar commercial paper outstandings. And this goes right to the heart of a number of the questions by some of your fellow committee members earlier today in relation to the fragility of wholesale markets when they fracture, and this is a very specific sighting now of that in terms of the lens we had as we looked out through the maturity profile of our maturing liabilities and something like 35% of our wholesale lending had a maturity beyond a year so we had kind of maturity buckets out over the time horizon. What gave me some comfort in dealing with the liquidity issues that were emerging, and this point in particular, was that Bank of Ireland had a substantial source of collateral for posting with the ECB in the event it was required. We had substantial mortgage businesses both in Ireland and the UK and we went to considerable efforts to develop pools of non-mortgage loans into securitisation-ready packages that would have enabled us to access even greater funding again. So to put the numbers in context, I think we had something in the order of €50 billion to €60 billion of unused and available collateral to post for liquidity. So that would have been my kind of ... my last port of call, my contingency in the event I couldn't replace this $20 billion.

Deputy John Paul Phelan: That's okay. Can I ask you to turn to the next page, page 4-----

Mr. Brian Goggin: Yes.

Deputy John Paul Phelan: -----where again I think it's a reference to yourself, where you say that eligible-----

Mr. Brian Goggin: Which paragraph are you on, Deputy?

Deputy John Paul Phelan: The first paragraph.

Mr. Brian Goggin: Yes.

Deputy John Paul Phelan: You explained how your own liquidity profile, which you could see, "eligible collateral exhausted in 30 days if markets remained closed." I think it's in the middle of that paragraph. And there is a further quote that I want to make at the end of that paragraph on this point the CEO, yourself, and the chief financial officer "sensed a marked reluctance on the part of the CBI [Central Bank of Ireland] to approach the ECB and also formed the impression that the CBI was less well informed on market developments and their implications for all Irish banks than would have been expected."

I want you to briefly outline why that marked reluctance was there and why do you think that the Central Bank was less well informed then it should have been?

Mr. Brian Goggin: Well, I think to the first point, I think I can point to very ... very clear evidence for that piece. You'll recall that when I was describing the events of 29 September, a few days earlier than this, the governor of the Bank of Ireland met with the Governor of the Central Bank to assist me in my unsuccessful attempts to have the ECB collateral rules expanded. The Governor of the Central Bank told the governor of the Bank of Ireland at that meeting that there was nothing further he could do. So that was certainly feeding into my view that the Central Bank of Ireland was, for whatever reason unwilling to push the issue with the ECB.

Deputy John Paul Phelan: Okay.

Mr. Brian Goggin: The ECB was the decision-making authority with regard to the collateral that it would accept.

Deputy John Paul Phelan: And the issue of whether... why they were less informed or less well informed than they should have been, can you-----

Mr. Brian Goggin: Well I-----

Deputy John Paul Phelan: What led you to believe that?

Mr. Brian Goggin: I think it was probably a general frustration, if I go back to the 29th, I was asked to acquire Irish Life & Permanent, Anglo Irish were about to default, I had a few weeks earlier suggested they should nationalise Irish Nationwide Building Society and a week later, none of that had taken effect.

Deputy John Paul Phelan: Can I ask you if you believe that a change in the ECB collateral rules or the Central Bank approaching the ECB would have led...could have led to a situation where the guarantee wasn't required?

Mr. Brian Goggin: It is an interesting question. I don't believe so, I think the collateral rules for the ECB were very much of a contingency nature, one...as I said myself. I took some comfort from the volume that we had, but you couldn't run a bank indefinitely on posting collateral with a monetary authority. That would be a temporary measure, so it was very much in the contingency space.

So to answer your question Deputy, no I don't think that would have-----

Deputy John Paul Phelan: On the same page, page 4-----.

Mr. Brian Goggin: ----- done the job.

Deputy John Paul Phelan: -----I think it is paragraph six, it relates to meetings with the Financial Regulator and the Central Bank, well actually I think you did reference them earlier, obviously this is a meeting concerning the guarantee as well. You, it stated and I want to direct... directly quote it. "Regarding ECB collateral criteria, he informed the Governor that the CBI and the Financial Regulator (FR) had done all they could to achieve a change in ECB rules, but without success."

Can you elaborate about what "done all they could" meant, and do you have any more details on the extent of that and on, perhaps, the nature of your relationship at that particular time with the Financial Regulator?

Mr. Brian Goggin: I can only...I can only assume or guess that the Central Bank made overtures and they were pushed back. It's an answer really...or a question really that you will have to address to the Governor of the Central Bank or the Financial Regulator when they come before you.

Deputy John Paul Phelan: In the period of your tenure, could you briefly describe your relationship with the regulator?

Mr. Brian Goggin: My relationship with the regulator was professional, it was respectful. I always viewed the regulatory authority as the grant of the licence to Bank of Ireland and I had absolute respect for the authority that vested in the regulator, in that regard.

Deputy John Paul Phelan: Can you recall any outcomes... or the main purpose of discussions held with the Central Bank, post publication of the financial stability reports from 2004 onwards?

Mr. Brian Goggin: No, I mean I read those reports, I can't recall any specific interactions Deputy.

Deputy John Paul Phelan: Okay. I'd ask you turn to page five of the same document that we are on, C3b, Susan O'Keeffe ... Senator O'Keeffe mentioned it earlier. Quote, in the middle of page 5, "No indication of Anglo's specific needs was given except that it was due to repay €1.5bn on Tuesday to a German bank". Firstly, I'd ask you do you know what the German bank was? "And may need" and this is continuing on the quote "may need a further €4 billion later in the week."

Do you know the name...are you at liberty to say who... which German bank it-----

Mr. Brian Goggin: No.

Deputy John Paul Phelan: Do you believe in your experience of 40 years of banking, that that German bank was likely to be engaging in lobbying of its own, with the fact that €1.5 billion was going to be owing to it on the Tuesday, and might not have been... would not have been paid on the Tuesday?

Mr. Brian Goggin: Deputy.... first of all, I have no idea who the counterparty was-----

Deputy John Paul Phelan: Okay.

Mr. Brian Goggin: ----- i.e. the German ... I have no idea whatsoever.

Deputy John Paul Phelan: The meeting you had with the Anglo official didn't discuss any of that?

Mr. Brian Goggin: Not to my recollection.

Chairman: Final question.

Deputy John Paul Phelan: I want to ... you're cutting me short there Chairman-----

Chairman: We have a deadline.

Deputy John Paul Phelan: I want to refer to... again C3b, page 40. You are already exploring, it's 13 October-----

Chairman: Deputy, have you a question?

Deputy John Paul Phelan: Yes, 13 October is the minute, you were exploring capital from the Government, but did you... there is a quote in the middle of that page that you did not want to approach the Government because it was the week, I think, before the budget. And back on page 16, there is a direct quote that the Bank of Ireland was exploring a capital injection from the State at that particular juncture. This is in stark contrast to what you were stating publically in the media at the time. This is two and a half weeks after the guarantee. And you were on the record as saying that, publicly, that Bank of Ireland was not seeking, at that particular juncture, seeking any-----

Chairman: Deputy you are running out of time. If you want a response-----

Deputy John Paul Phelan: ----- capital injection. Well, I'm asking you to square that particular quote on page 16 with your public position at the time.

Chairman: Okay the question is made, Mr. Goggin, and then I am moving on.

Mr. Brian Goggin: Look, the short answer to this question is that the discussions around capital, as evidenced in these papers, had all to do with new capital rules arising out of the decision by the UK Government to increase the core tier 1 ratio of the UK banking system, up to 7.5%. That immediately put pressure back on the Irish banks. The capital discussions here have nothing whatsoever to do with solvency; it's all to do with new regulatory impositions.

Deputy John Paul Phelan: That quote and the-----

(Interruptions).

Chairman: Sorry Deputy....sorry Deputy you are out of time, we have to move on.

Deputy John Paul Phelan: ----- explore a capital injection by the State-----

Chairman: Mr. Goggin if you could come back to the Chair please, because we are out of time. And if members don't discipline their time, unfortunately it has consequential affections....effects for other questioners.

Mr. Brian Goggin: Yes Chairman.

Chairman: So I am moving back to the wind-up on this because we have to conclude fairly promptly. Deputy McGrath, you have five minutes for a final wrap-up and likewise Deputy O'Donnell, and five minutes inclusive of questions and answers.

Deputy Michael McGrath: Yes, thanks Chair. Mr. Goggin, you said earlier on in response to my question that you would prefer not to disclose your annual pension from Bank of Ireland, and can I put it to you that... you know... the Irish people would have preferred not to have had to have guaranteed Bank of Ireland, would have preferred not to have had to put in €4.7 billion into the bank and to deal with consequences that flow from that. Perhaps you might like to reflect on your response and to put it to you that it was certainly reported in the media that your annual pension from the bank on your departure was in the region of €650,000.

Mr. Brian Goggin: Deputy, I said to the late Brian Lenihan, in relation to the support for Bank of Ireland back at the time, that I viewed it as a requirement of a temporary bridging nature and that, I am on the public record in 2009 ... February 2009 in saying that the State, in my view, would be suitably and appropriately rewarded for the investment that it was required to make in Bank of Ireland. And that prediction has, most certainly, been borne out. And that is all that I wish to say on the matter.

Deputy Michael McGrath: Well, I would just put it to you Mr. Goggin, that the measure of the State rescuing Bank of Ireland is not a simple measure of money in cancelling money out. There were other consequences of the State coming to the rescue of the banking system, including Bank of Ireland, so that I think is a very narrow measure that you have put on it there. But that is a matter we will deal with the full course of our work.

What did you get wrong, in your time as group CEO?

Mr. Brian Goggin: I think the principle pieces I got wrong was in relation to an assumption, based on consensus forecasts that we were looking at a pretty sustained period of robust economic growth. I got wrong the fact that there was insufficient attention, I suppose, given to the possibility of the massive property correction and the unprecedented collapse in global financial markets. It's easy to say that actually with the benefit of hindsight. I would emphasise that the decisions I made, the recommendations I made to the board were always recommendations of ... based on informed positions, always made in good faith. And sometimes commercial decisions are good and sometimes they're wrong, and I got those ones wrong, along with lots of other people in the world. That's of little comfort.

Deputy Michael McGrath: Sure. On the question of the inclusion of dated subordinated debt in the guarantee you said that Bank of Ireland requested the inclusion of such debt. Ultimately, there was €12.2 billion of dated subordinated debt across the system included in the overall €375 billion guarantee, and of that €12.2 billion, Bank of Ireland had €5.2 billion of the dated subordinated debt which was guaranteed. So you had 43% of the dated subordinated debt or junior bondholders guaranteed, so you stood to benefit the most from their inclusion. Can you just clarify what would have been the consequences of not including dated subordinated debt in the guarantee, and are you aware of the criticisms made by Governor Honohan and others of the inclusion of such debt in the guarantee?

Mr. Brian Goggin: Yes, I can't relate, Deputy, to the figure you mentioned. I looked at the subordinated liabilities of Bank of Ireland at 31 March 2008, which would have been the information current going into the meeting on 29 September. I might add that I had absolutely no idea whatsoever what the aggregate amount or the maturity profile of the liabilities of Bank of Ireland were on that occasion. I hadn't even looked at them; they didn't register on my horizon. However -----

Deputy Michael McGrath: The figure was €5.179 billion at the end of September '08.

Mr. Brian Goggin: Yes, the figure I extracted as of 31 March was actually €3.2 billion in undated and €4.6 billion in dated but that's a matter for the record. It's just important that what you record is accurate. I'm not disputing your figure, Deputy, but I have a different figure here. Of the ... the dated was €4.6 billion, so that's close enough I suppose -----

Deputy Michael McGrath: It ended up at €5.2 billion at the end of September. That's where it was.

Mr. Brian Goggin: Of the, of the €4.6 billion - and I'm looking back now I only did this exercise the other day - €750 million of the €4.6 billion was due in 2010. The balance of the €4.6 billion, i.e. the vast majority of it, was due in a period from 2013 to 2036. So the majority of that would have fallen outside of the two year guarantee.

Chairman: Thank you. Deputy O'Donnell, five minutes tightly.

Deputy Kieran O'Donnell: Mr. Goggin, we had Mr. David Duffy, current CEO of AIB, in before us yesterday. He said that the bank had contacted former executives of the bank looking for a reduction in their pensions back in early 2014. Were you ever contacted by Bank of Ireland in a similar regard?

Mr. Brian Goggin: No.

Deputy Kieran O'Donnell: So you've taken no reduction of any form in your pension? ... I'll take that as a "Yes", as a "No" ... fine.

Mr. Brian Goggin: No.

Deputy Kieran O'Donnell: Can I ask the ... when you ... why did you retire rather than resign from Bank of Ireland?

Mr. Brian Goggin: Why did I retire rather than resign? I mean I had been chief executive for five years. There was an option in my employment contract for me to opt to retire within one year or for the board to ask me to retire within one year. By mutual agreement, we both exercised that option. That's why I retired.

Deputy Kieran O'Donnell: Were you ... As part of your contract of when you retired was there gardening leave included in terms of going to other similar type financial institutions?

Mr. Brian Goggin: I can't recall, I know what the term "gardening leave" means, but, no, I can't recall that there was a restriction as such. I was very ill after I retired so I didn't work for quite a period.

Deputy Kieran O'Donnell: But you are now working with Apollo who are a company who are investing -----

Chairman: -----terms of reference so I'm going to push the Deputy very quickly to get back on to the business.

Deputy Kieran O'Donnell: Can I just go to ... on the night of the guarantee you stated that you left, as far as you were concerned that a blanket guarantee was being put in place for the six rather than the four institutions.

Mr. Brian Goggin: Correct.

Deputy Kieran O'Donnell: Now. AIB, Mr. Sheehy told us last night his understanding was it was just the four institutions.

Mr. Brian Goggin: I heard him say that.

Deputy Kieran O'Donnell: So can you tell me the circumstances and the meeting that took place, where your understanding was, who informed you that it would be a blanket guarantee involving all six of the institutions. What time was the meeting? Who was present at the meeting? Who directly informed you?

Mr. Brian Goggin: Look ... it was the meeting chaired by the Taoiseach. The representatives in the room, you know -----

Deputy Kieran O'Donnell: Where all the banks there?

Mr. Brian Goggin: Well there was only two banks, AIB and ourselves.

Deputy Kieran O'Donnell: There were only two banks there.

Mr. Brian Goggin: My recollection of it is it occurred when we came back into the room -----

Deputy Kieran O'Donnell: What time was that roughly?

Mr. Brian Goggin: Two o'clockish a.m.

Deputy Kieran O'Donnell: Two o'clock in the morning, yes, came back into the room? Who was present in the room at that time?

Mr. Brian Goggin: All the ... the Taoiseach, the Finance Minister, the Secretary General of the Department of Finance, the deputy Secretary General, the Attorney General, the Central Bank would have been represented by John Hurley, although I know he had to go home at one stage. Tony Grimes may have stood in for him ...

Deputy Kieran O'Donnell: Who informed you? What was the circumstance ... how were you informed there would be a blanket guarantee of all six?

Mr. Brian Goggin: When we came back into the room and we indicated that we, with some considerable effort, could meet the request that was made of us to assist the Government in dealing with the liquidity issue in Anglo and we said we each could provide €5 billion - now I mentioned earlier that there was a notable change of mood in the room, there was relief ... it's two o'clock in the morning. This problem is a few hours away. Here we have the two major banks stepping up to the plate to help with a very difficult situation. It was at that juncture when we conveyed our capacity to support that ... I can't recall who actually said it and I'm not evading the question. I'm conscious I'm under oath here ... I can't recall who said it. I would imagine it was one of the senior members representing the Government, either the Taoiseach or the Minister for Finance, but I'm only guessing.

Deputy Kieran O'Donnell: And they said it was the six institutions.

Mr. Brian Goggin: That is my clear understanding.

Deputy Kieran O'Donnell: What response did the two banks give on the night?

Mr. Brian Goggin: We kind of got straight into dealing then with what needed to be done -----

Deputy Kieran O'Donnell: Did ye say ye agreed or disagreed with it?

Mr. Brian Goggin: No, I didn't. I just accepted it as a decision, Deputy.

Deputy Kieran O'Donnell: One final question, one final question. If you had it back again, taking all the factors into account ... you were a banker of 40 years experience, what would you have done differently with Bank of Ireland?

Mr. Brian Goggin: What would ... It's easy to say that now with the benefit of hindsight. I clearly would not have relied on wholesale markets to the extent we did but, look, I think that's a shallow response because I know what happened at the time I couldn't possibly have anticipated. I did my best. I always acted responsibly. I think the records and the paperwork show the level of rigour and governance around processes in Bank of Ireland. Look, I started at the very bottom of the bank. I started doing the post in Bank of Ireland. I worked my way to the top. Bank of Ireland is in my veins. I was the one, at the end of the day, that had to stand there when it all collapsed.

Chairman: Thank you very much Mr. Goggin but just one final question for you. I'm not really too interested in what the colour of the wallpaper was on the night of the guarantee or what colour the phones were or what was in the sandwiches or anything else. That's immaterial. What is however of substantial significance is the details that went into the guarantee. And I just want to get a position because Deputy McGrath pursued you on this in regard to the liabilities. You mentioned under questioning from Deputy McGrath that you did not know the debt maturities or liability profile of Bank of Ireland going into the meeting at Government Buildings. As CEO of Bank of Ireland, Mr. Goggin, how is it possible you would have not known of these figures in the circumstances? And I assume that you would have spoken to your treasury people as well that evening. I mean this was a big, big position for Bank of Ireland. Are you saying you didn't have a position or a brief or figures going into that meeting that night?

Mr. Brian Goggin: No I wouldn't have had any particular need to have the figures. I knew that the term liabilities were termed out. I didn't know going into the meeting the Government was going to provide a guarantee.

Chairman: But the Bank of Ireland liabilities went in there. I mean, you obviously would have advocated that for the Bank of Ireland liabilities to go in there ...

Mr. Brian Goggin: I did for the reasons I explained. The reason I explained was that the undated, leave them out because they are permanent capital; the dated had a significant crossover to the senior and a crossover to the sovereign, so it was from that point of view I was expressing a view that they should be included.

Chairman: But because of the significance of it, and because it went in there, are you saying to the committee this afternoon that you didn't have any documentation, you didn't have any briefing with regard to the exposure of the liabilities, there was no detailed discussion with officials, Ministers, Taoiseachs in this regard?

Mr. Brian Goggin: There was no discussion whatsoever about the quantum, the maturity or the make-up of the liabilities.

Chairman: Okay. Thank you. That is it, Mr. Goggin. That will bring us to conclude. Is there anything finally you would like to add before I close matters today with you?

Mr. Brian Goggin: No, I just say, Chairman, that I hope, you know, my evidence has been of some assistance to you. You've got very important work to do and I wish you well with the rest of your inquiry and I just thank you and your committee for the courtesy you afforded me this morning.

Chairman: Thank you, Mr. Goggin. And with that said, I would like to thank you also for your participation with the inquiry today and to now say that you're excused. I just need to go briefly into a private meeting just for one-----

The joint committee went into private session at 12.51 p.m. and adjourned at 12.53 p.m. until 9.30 a.m. on Wednesday, 6 May 2015.