WITNESS STATEMENT OF BRIAN GOGGIN

I, **Brian Goggin**, will say as follows:

1. This statement is made by me in response to the Direction issued by the Joint Committee on 26 February 2015 to make a written statement on specified lines of enquiry.

SECTION 1: CAREER HISTORY IN BANK OF IRELAND

2. I spent just short of 40 years at Bank of Ireland and was Group Chief Executive for 5 years until my retirement in 2009.

3. I had a varied career in both retail and wholesale banking and held senior management positions with Bank of Ireland Group in the US, UK and Ireland. I was appointed Chief Executive Corporate and Treasury in 1996, Chief Executive Wholesale Financial Services in 2002, Chief Executive Asset Management Services in 2003 and Group Chief Executive in 2004. I was appointed to the Board of Directors in 2000.

4. I am a graduate of Trinity College Dublin holding an MSc in Management. I am a Fellow of the Association of Chartered Certified Accountants and a Fellow and past President of the Institute of Bankers in Ireland.

SECTION 2: QUALITY OF THE BUSINESS MODEL SETTING PROCESS (B1 (C))

5. I understand the business model setting process to mean the strategy formulation and approval process of Bank of Ireland.

6. A responsibility reserved for decision by the Board of Directors of the Bank (the Board) was to determine strategy. Management was responsible for the execution of the agreed strategy.

7. The Bank's strategy planning involved a full analysis by Management of performance and strategy at Group, divisional and functional levels. This process culminated in the preparation

of a detailed strategy report presented to the Board in advance of a two day off-site strategy meeting.

8. Some years the process was a review and update of the previous strategic plan. In other years there was a more fundamental assessment carried out. The process was built around a comprehensive assessment of:-

- the external environment including political, economic, technological and socio cultural aspects;
- the industry environment including industry driving forces such as globalisation, changing consumer demographics and demand, regulation and investor demands;
- the evolving industry structure;
- the current strategic positioning of Bank of Ireland and competitor analysis;
- SWOT analysis;
- strategic choices (assessment and implications);
- Group vision, strategic goals, strategic capabilities, expected financial results and their implications and conclusions, capital management, risk management, enablers, action plan and targets.

9. I believe the business model setting process was robust, comprehensive and of high quality. The discussion and interaction with the Board on strategy formulation was always extensive and challenging.

10. The business models set during my time as a director were Strategy 2001/2006; Strategy 2002/2007; Strategy 2003/2008; Strategy 2004/2009 and Strategy 2006/2012.

11. Looking back over this process since 2001, I would comment:-

- The 2001 Plan noted that while the Group's long term strategic direction was clear, there were some performance pressures in the short term (due to a number of unexpected external shocks e.g. foot and mouth crisis, slowdown in the US economy, terrorist attacks in the US and the reversal in the stock markets).

- The 2002 Plan marked a very significant and material change in the quantification of strategic ambition. A market capitalisation target of €40 billion (including acquisitions) by 2007 was set against an actual market capitalisation of €12.7 billion in early 2002.

- The 2003 Plan was a review and update of the 2002 Plan. Against a backdrop of a less favourable mid-term economic outlook for Ireland and the UK, weaker equity markets impacting expectations for the asset management and life and pension businesses and a strengthening euro reducing reported Group earnings, it was recognised that future growth would not be as great as expected. The previously adopted target for market capitalisation was reduced from €40 billion to €30 billion.

- The 2004 Plan (which was presented shortly after my appointment as CEO) was an exercise in validating assumptions about the operating environment underpinning the existing strategy set out in the 2003 Plan.

- For the 2006 Plan we took a different approach. Over a nine month period from September 2005, we stepped back to get a better informed understanding of the key international trends driving the financial services environment and possible market/competitive scenarios to identify implications and options for the Group. This process was aided by inputs from external parties including McKinsey, Boston Consulting Group, Goldman Sachs, Mercer Oliver Wyman and Professor David Llewellyn (of Loughborough University), who were asked to provide their overview of the key factors which were likely to influence industry developments over the next ten years. Following this assessment, Boston Consulting Group were engaged to support Management by bringing objectivity, challenge and rigour to the development of the overall strategy. The Board participated actively through this phase in supporting, challenging and testing the robustness of ideas presented.

- We identified and assessed a wide range of potential strategic options and growth initiatives, some based on geography and some based on the extension of our existing products into adjacent segments. The significant strategic issues considered by the Board in this process were:-

  - The economic outlook for our key geographies would be broadly favourable, with strong GDP growth and low unemployment in our chosen markets;

  - The financial services industry would continue to consolidate over the period, with the pace increasing, but not radically.

  - We would be able to support growth, including capital and liquidity, through balance sheet management strategies (e.g. securitisation) and an increase in wholesale funding levels.

  - Strategy 2012 would build on our core capabilities and assets and acquire / build where opportunities presented.

  - Extend business predominantly in existing, developed, geographies, rather than new areas.

  - Develop a number of new growth platforms to create future options.

  - Grow the loan book in a diversified way i.e. geographically and by asset class. This was specifically considered in the context of the Capital Markets

Division where we felt that we could expand in specialist areas outside of Ireland such as leveraged asset finance, shipping, film, project and comprehensive asset based finance.

- In making these calls, we ruled out a range of potentially attractive options. In some instances, the timing was wrong (e.g. Eastern Europe). In other cases, neither the economies, nor the capabilities required (e.g. European retail banking), nor the level of investment (e.g. US retail banking)/ risk, nor the relative priorities, fitted with our desired strategy.

- The strategy review was a robust process and Strategy 2006/2012 was approved by the Board in July 2006. The conclusions reaffirmed the Group's ability to achieve strong growth and solid value creation during the period of the plan, although it was acknowledged that the adopted strategy was very ambitious and challenging.

12. In November 2007, management updated the Board as to the fundamental objective of Strategy 2012. The Board noted that whilst the operating performance had been strong, the price-earnings multiple had not responded. Given the recent turmoil in the financial markets and less than benign growth prospects in our domestic and international markets, this warranted a review of the key assumptions underpinning the strategy.

13. On 11 March 2008, we updated the Board on progress which was based on an assumed generally benign environment with no major economic shocks. The environment had changed significantly since 2006 with continuing uncertainty and with slower growth and prospects. Availability and cost of funding was also severely restricted and financial markets were now focussing more strongly on funding, capital and costs. The Board acknowledged the significant change in market circumstances and questioned whether the current strategy remained tenable and capable of realising the Group's ambition. Concerns were expressed that the strategy could be too optimistic given the current volatile and uncertain climate for

financial services. At this meeting, after further discussion with the Board, it was agreed that the key priority was to navigate the Group through the current market turmoil and reconsider the strategic issues at the July 2008 Board meeting.

14. In July 2008 Management updated and engaged with the Board. It was clear that many of our calls were good; for example, our decision not to pursue sub-prime opportunities in the UK or Ireland, retail banking in the US, or a European mortgage business. However, some of our other calls did not turn out as anticipated; for example, our assumptions about a generally benign economic backdrop in our key economies, our belief that we could fund rapid asset growth through increasing reliance on wholesale funding and our view that we could turn around Bank of Ireland Asset Management and acquire other asset management product providers.

15. Given the rapidly deteriorating short-term economic outlook and continuing financial market turmoil, management presented a number of options for consideration by the Board. We saw risks to the downside with recent events underscoring the growing interdependencies of economies and financial markets. The current fragile state of property and mortgage markets in Ireland and the UK was a particular concern. We had substantial residential as well as commercial property market exposures. Therefore, the outlook for the property market was seen as critical to the future financial performance of the Group. There were significantly differing views among economic commentators as to whether a "*hard*" or "*soft*" landing would occur in both Ireland and the UK. Implicit in management's call of "*low growth/mean reversion*" was our view that property would achieve a "*soft*" landing (prices would not drop more than 20%).

16. The short-term strategic options were considered by the Board and the option chosen was to "*right size*" the organisation so that it would be more efficient. This option to right size was considered to be the most congruent with the short-term actions taken in the previous 9 months and our then belief that our core economies would return to growth from 2010. In

managing the Group safely in the then near term, our core areas of focus were funding, capital, costs and asset quality.

17. There was general agreement at the July 2008 Board meeting that Strategy 2012 was no longer appropriate and the Board and management needed to develop a new strategy taking account of the changed economic outlook. While, as can be seen from the above, a very thorough and comprehensive process for setting strategy was followed, including advice from a wide range of external consultants, and while Bank of Ireland's strategies were similar to those being pursued by a large number of financial institutions in Ireland and abroad, the fact remains that serious errors of strategic judgement were made by the Bank. The difficulties which Bank of Ireland faced from the middle of 2008 onwards arose primarily because the Group strategy and the management of the risk arising from it never anticipated the severity of the economic and fiscal collapse and the turmoil of the financial markets that occurred and its impact on wholesale funding and/or the very significant drop in residential and commercial property prices which went well beyond the level of stress testing which was for a fall in value of 20%. For Bank of Ireland to have adopted a different strategy, which of course in hindsight would have been preferable, we would have had to have taken a very contrarian position to that being taken by our peers, and by investors, analysts and market commentators generally.

SECTION 3: APPROPRIATENESS OF PROPERTY RELATED LENDING, STRATEGIES AND RISK APPETITE (B2(a))

18. I have addressed Bank of Ireland's risk structures and appetite at section 6 of my statement.

19. Bank of Ireland was a senior debt provider for Property Development in Ireland (i.e. it did not provide mezzanine or equity finance). In relative terms, Bank of Ireland had a lower risk appetite for, and by extension a lower relative exposure to, Commercial Property and Landbank development lending than other banks. I recall that it was reported in a PricewaterhouseCoopers report to the Financial Regulator in 2008 that Bank of Ireland was

involved in only 3.5% (by value) of the top 30 land transactions in Ireland during the period 2005 to 2007.

20. Whilst Bank of Ireland incurred significant losses during the financial crisis, I believe that the Bank's credit strategies and risk management in place throughout the period 2001-2008 in relation to property and mortgage related lending (described below) contributed to the Bank experiencing significantly less severe losses than other banks operating in Ireland.

21. In my view, the significant difficulties Bank of Ireland faced during the financial crisis arose primarily because the strategy adopted by the Group did not anticipate the exceptional extent of the reduction in property prices that occurred as a result of the financial crisis combined with the contraction of the wholesale money markets on which the Bank, in common with banks throughout the world, had become over-reliant. Notwithstanding the fact that commercial property lending was not disproportionately large in the Bank's balance sheet, in hindsight, the quantum of property lending left the Bank heavily exposed to the significant correction in the Irish and UK property markets and I regret that the failure to anticipate the risk of a sharp reduction in property prices or the contraction of the wholesale money markets led to the requirement for assistance from the State.

SECTION 4: APPROPRIATENESS OF CREDIT POLICIES, DELEGATED AUTHORITIES AND EXCEPTION MANAGEMENT (B2(b))

22. Credit policies for lending for Property Development (Commercial and Residential) lending were in place during the relevant period. From 2006 onwards a separate Landbank lending policy was put in place. Detailed credit policies for Commercial Property Investment were also in place during the period. They had a focus on the quality of cash generation capacity from Investment Property as well as the quality of the property and its location. Those policies contained loan-to-value (LTV) ratios, interest cover covenants and residual risk parameters to avoid speculative transactions. Bank of Ireland did not provide mezzanine or equity lending for Property Development and Property Investment transactions.

23. Detailed credit policies for Residential Mortgages in the Republic of Ireland (for both owner occupier and buy to let) were in place during the period. Those policies focussed on both advance rate and repayment capacity at stressed rates. Book limits were in place for higher risk market segments and LTV ratios were included in the policies. Bank of Ireland had no self-certifying or sub-prime mortgage offering in the Republic of Ireland. Bank of Ireland's market share of mortgages in the Republic of Ireland fell from 20% in 2003 to 17% in 2008.

24. Dealing with exception management, the independent credit functions within the relevant business units were required to and did maintain procedures and controls to monitor the level and quality of loans approved with policy exceptions in respect of the relevant business units and these were also monitored by the Group Credit Policy Unit.

25. Where a transaction was considered an acceptable risk but represented an exception to policy, there was a requirement to refer the proposal to, at least, the next highest level of credit authority for a decision (a process known as "*one up*") with a detailed analysis for recommending approval of the exception.

26. Board approved lending discretion holders had discretion to approve cases with policy exceptions within their discretion but only on the recommendation of an independent Credit Unit. Certain approved independent credit personnel also had discretion to approve cases with policy exceptions. Group Credit Committee (GCC), as the most senior transactional credit authority, also had discretion to approve cases with policy exceptions within its mandate.

27. Throughout the period, the Group Credit Policy Unit prepared reports, based on credit underwriting unit returns, detailing the level of policy exceptions. These reports were submitted to GCC up to 2001 and to the Head of Credit Policy from 2002 onwards.

28. On a monthly basis, the Group Risk Policy Committee (GRPC) (post 2002) received a listing of transactions approved by the GCC which detailed the nature of policy exceptions where they arose so that the GRPC had visibility of exception approval.

29. Bank of Ireland adopted and implemented a conservative approach to the aggregation of connected exposures which limited single named concentrations. All exposures by the Group to entities connected by ownership or control were aggregated to a single Total Group Exposure (TGE). Where individuals had exposures to joint ventures via 50% or greater shareholdings, the Group's full exposure to that joint venture was included in calculating the Group's TGE to an individual. This also applied where two Group customers had a 50:50 joint venture i.e. the joint venture debt was included in full in the separate calculations of the TGE for each individual. This approach meant that the Group had enhanced visibility on its own exposure to individual developers and an ability to limit that exposure through aggregation of exposure. Bank of Ireland's approach to TGE methodology was more conservative than that stipulated under Central Bank Guidelines and I believe it was considerably more conservative than other banks operating in Ireland at the time.

SECTION 5: ANALYSIS OF RISK CONCENTRATIONS IN THE BASE, THE ADVERSE ECONOMIC SCENARIOS AND IMPACT ON CAPITAL STRUCTURE (B21(C))

30. Dealing with risk concentrations/capital structure, Economic Capital (ECAP) modelling was used in Bank of Ireland throughout the relevant period and this was a more sophisticated internal assessment of risk capital requirements than Basel I risk weightings. ECAP modelling provided initial capability for:-

- Identification and quantification of risk correlations.
- Differential capital allocation at transaction, portfolio and unit level.

- Determining the most efficient usage of the Group's capital in lending decisions in the risk pricing system.

31. Basel II (initially published in June 2004) introduced more sensitive risk weightings and revised supervisory regimes and disclosure requirements. Basel II was based on three pillars:

- Pillar 1 – aimed at ensuring minimum capital requirements per each risk weighted asset calculation.
- Pillar 2 – developed an Internal Capital Adequacy Assessment Process (ICAAP) and supervisory review by the Financial Regulator, with the objective of aligning capital, risk and strategy through appropriate Governance.
- Pillar 3 – aimed at ensuring market discipline through transparency and disclosure requirements.

32. The aim of Pillar 2 was to enhance the link between an institutions risk profile, its risk management and risk mitigation systems and its capital. All institutions had to:-

- Develop sound risk management processes that accurately monitor, measure and aggregate its risks;
- Have in place an appropriate capital process to generate a capital number to set against these risks both on an actual, forward looking and stressed basis; and
- Demonstrate that the ICAAP process is used by management in key decisions.

33. A significant effort went into preparing Bank of Ireland for compliance with Pillar 2 ICAAP requirements which required refinement of the existing modelling process. The Financial Regulator required Bank of Ireland to submit an initial ICAAP in September 2006, which we considered a dry-run for a more robust ICAAP introduction in 2007.

34. The first ICAAP model was submitted to the Central Bank in June 2007 (following GRPC and Board approval) and this reflected that ECAP measurement was embedded at the centre of the overall capital adequacy assessment. The current and future demands for capital generated by the risk profile was measured and compared to the supply of capital that the Group generated or raised. The Group's risk profile was identified and quantified through both ECAP and regulatory capital. The ICAAP review in 2007 demonstrated that the key test for capital adequacy could be met over the next three years of the Group's strategic plan having regard to the base and adverse projections approved for the purposes of the exercise.

SECTION 6: ADEQUACY OF THE INCENTIVE AND REMUNERATION ARRANGEMENTS TO PROMOTE SOUND RISK GOVERNANCE (B5(a))

35. Bank of Ireland's remuneration policy was based upon a thorough and balanced assessment of an individual's performance and was overseen by the Group Remuneration Committee comprised only of non-executive directors.

The performance of managers and executives in the Group was assessed on a performance management system implemented within the Group.

36. To assess the level of performance, goals were agreed between the employee and the person they reported to for each year. During the period 2002 to 2006, these goals generally fell within specified key result areas namely Customers; Financial Performance; People Management and Transformation and Change. From 2006 onwards, Financial Performance was reclassified as Financial and Risk, Transformation and Change was replaced by a new key result area - Leadership (as most of the transformational change under the strategic plan had been effected). This was a key component of executive performance assessment and an overall benchmark performance rating had to be achieved for Leadership in order for an executive to be judged as having a successful performance review.

37. Bank of Ireland operated a comprehensive incentive scheme as a key component of remuneration policy which included discretionary bonus, stock options and a long term incentive programme (LTIP), with stock options and LTIP grants being subject to vesting conditions or requirements occurring over a number of years.

38. A new bonus incentive scheme was implemented for the majority of executives (including myself) in 2005 and the relevant weightings were as follows:-

2005/06	**Group Executive**	**Level 2 Exec**	**Level 3 Exec**
• Group/Divisional profit before tax (PBT) outcome versus budget	30%	50%	60%
• Cost Savings versus Budget	70%	50%	40%

2006/07	**Group Executive**	**Level 2 Exec**	**Level 3 Exec**
• Group/Divisional PBT outcome versus budget	45%	45%	55%
• Cost Savings versus Budget	55%	55%	45%

2007/08	**Group Executive**	**Level 2 Exec**	**Level 3 Exec**
• Underlying EPS versus Budget	75%	75%	75%
• Cost Savings versus Budget	25%	25%	25%

39. There was also a deferral element and a requirement to achieve minimum performance on Leadership standards otherwise no bonus was payable.

40. Risk was a factor that was assessed as part of overall performance assessment of each Executive e.g. audits, quality profile of the loan book, loan losses, control, regulatory, compliance and governance standards.

41. Prudent risk management was firmly embedded in Bank of Ireland's corporate culture and the Group followed an integrated approach to risk management to ensure that all material classes of risk were taken into account and that its risk management and capital management strategies were aligned with its overall business strategy. This integrated approach was set out in a group risk framework, which was approved by the Board the purpose of which was to provide a high level overview of how risk is managed in the Group. It was, in effect, an umbrella document covering the risk management fundamentals i.e. how Bank of Ireland defined, identified and categorised and measured risk; how risk strategy was aligned to strategic planning; how governance worked; how risk appetite was set and stress tested; and Bank of Ireland's approach to limit setting to avoid risk concentration risk.

42. The risk governance structure was overseen by the Board and the GRPC, chaired by the Group Chief Risk Officer (GCRO). GRPC was the Executive Committee with responsibility for recommending changes in all high level risk policy/strategy and risk appetite limit setting to the Board for approval and for assisting the Board with its risk oversight and governance responsibilities for risk management. Its membership included Executive Directors and it operated as a sub-committee of the Board. It exercised authority delegated by the Board to approve business initiatives that had material implications for the level or composition of risk and which were consistent with high level policy approved by the Board. In addition to considering specific risk issues, the GRPC was responsible for reviewing overall Group risk on a portfolio basis and reporting on it to the Board. GRPC in turn, delegated specific

responsibility for oversight of the major classes of risk to specific Committees that were accountable to it.

43. Separately, Group Internal Audit (GIA) provided independent assurance on the continued effectiveness of the Group's control environment.

44. The organisational structure for risk management was designed to facilitate reporting and escalation of risk concerns from business units and risk functions upwards to the GRPC and the Board and to convey approved risk management policies and decisions from the Board and the GRPC to the business units.

45. While I believe that sound risk governance structures were in place in Bank of Ireland during the relevant period, I understand that reports subsequently commissioned by the Bank have identified weaknesses in the risk governance structures leading to new governance structures being put in place. In my view, while improved risk governance structures, in particular the availability of consistent risk information, could well have helped the Bank to realise the amount and nature of the risk it was accumulating at an earlier stage and potentially reduce the impact of the crisis, the Bank's difficulties arose primarily because the strategy did not anticipate the exceptional extent of the reduction in property prices that occurred as a result of the financial crisis combined with the contraction of the wholesale money markets.

SECTION 7: THE LIQUIDITY -V- SOLVENCY DEBATE (C2(C))

46. From my perspective, there was no liquidity -v- solvency debate at the time of the bank guarantee decision and the issue of solvency only arose subsequently when low asset values were being crystallised on the transfer of property related loans to NAMA.

47. In my view, the financial crisis leading to liquidity issues can be traced back to the middle of 2007 which saw the beginning of the US subprime mortgage lending crisis. The position continued to deteriorate from that time which saw the closure of the securitisation markets

and a severe contraction of liquidity in global financial markets which in turn led to the near collapse of Bear Stearns (in late 2007), the failure of Iceland's banks and other financial institutions – such as Merrill Lynch / Wachovia Bank – suffering significant difficulties during this period. The failure of Lehman Brothers in September 2008 sent further shockwaves across the global financial system and this was compounded by the rescue of AIG. Several banks in the UK and across Europe were supported and or rescued in and around the same time.

48. As a result of these developments and throughout the period from mid-2007 right through to September 2008, there was a sharp contraction of the liquidity that was traditionally available for lending to financial institutions through international money markets. In particular, there was a continuous reduction in the period of time that facilities could be rolled over for. Before the crisis arose, there was no real difficulty for institutions such as Bank of Ireland to put in place significant facilities on a term basis (e.g. 18 months / two years). However, as the position of the financial markets deteriorated up towards September 2008, it became much more difficult to raise funds and much more difficult to raise funds on a term basis. In fact, by September 2008, financial institutions were often only in a position to put in place significant facilities on an overnight basis.

49. I attended regular meetings with the Central Bank and the Financial Regulator throughout 2008 to discuss this developing liquidity crisis as they wanted to have better visibility of what exactly was happening in the markets on a daily basis and sought our observations on this in relation to both the domestic and the international markets. My impression was that the Central Bank and the Financial Regulator were considering what would happen if things became worse, presumably with a view to putting in place a contingency plan.

50. The liquidity issue came to a head on 29 September when it became apparent that Anglo Irish Bank was unable to repay a significant credit facility which was due for payment the next day and the Government's response was the Bank Guarantee.

51. Shortly thereafter, in October 2008, the UK Government announced a major recapitalisation programme for UK banks. Bank of Ireland's share price declined by 15% as it appeared that Irish banks were now regarded by the market as under-capitalised relative to the new norm as established by the UK Government's initiative and this meant that Bank of Ireland would require an additional capital funding of €2 billion to bring its core T1 ratio close to the new levels adopted in the UK which was 7.5%.

52. Bank of Ireland took corporate advice from Citi in relation to its options for raising further capital and all options were considered including an approach to the Government to purchase preference shares in Bank of Ireland. This option was considered the most viable as Government preference shares would qualify as core tier (T1) capital and this led to a Government announcement on 21 December in which the Government committed to inject €2 billion through preference shares with a commitment to underwrite up to a further €1 billion of core capital.

53. There was considerable engagement with the Board of directors of Bank of Ireland as part of this process and at a Board meeting held on 23 January 2009, the update provided was that the Government was proposing an investment of €3.5 billion in exchange for 8% core T1 preference shares. The Board resolved to proceed with this proposal. The purpose of this subscription was to substantially increase the T1 capital ratio of Bank of Ireland to provide confidence to funding markets on the robustness of the Bank's balance sheet in an environment of severe economic contraction in anticipation of higher loan losses. Bank of Ireland had been advised that it would be unable to raise capital in the markets for the foreseeable future and consequently, this was the only viable option given the requirement to increase the Bank's T1 capital ratio.

SECTION 8: APPROPRIATENESS OF THE BANK GUARANTEE DECISION (C3(b))

54. The decision made by the Government on the night of 29 September 2008 was made in extremely difficult circumstances and during a period when the financial crisis was

heightening, particularly following the failure / bailouts of Lehman's, Merrill Lynch, AIG, Washington Mutual, Bradford & Bingley, Hypo Real Estate and the vulnerability of Wachovia Bank.

55. To add to the difficulties facing the Government on 29 September, on that same day, the US House of Representatives had rejected the Troubled Asset Relief Programme (TARP), thereby increasing the risk of further serious instability in global financial markets.

56. While I was not aware of all of the background against which the Government made its decision at that time, banks, both international and domestic, were clearly under significant strain as a result of the difficulties they were experiencing in accessing wholesale funding and I was aware that the Minister for Finance regarded three banks as being in difficulty (Anglo Irish Bank, INBS and IL&P).

57. In early September 2008, in the lead up to the decision, Bank of Ireland (together with AIB) had been asked by the Financial Regulator to provide standby facilities to INBS. However following a review of the liabilities of INBS, we concluded that a funding gap of up to €4 billion could emerge in the short-term and that all funding requirements of INBS (c€14 billion) would require replacing during 2009 if market sources became restricted for INBS. On that basis we determined that the Bank of Ireland's own wholesale funding could be put in jeopardy if it had to take on an additional burden of 50% of INBS's total funding requirements.

58. On the morning of 29 September, Bank of Ireland had a meeting with the Central Bank in which the Central Bank shared its major concerns for the stability of two Irish entities (Anglo Irish Bank and IL&P) and we were asked to consider a scenario whereby Bank of Ireland would consider acquiring IL&P.

59. Anglo Irish Bank was suffering severe liquidity issues. This became very apparent to me when, on the afternoon of 29 September, Anglo Irish Bank approached Bank of Ireland to ask

if it would consider acquiring Anglo Irish Bank, but Bank of Ireland responded that it would not do so. Later that evening, in a meeting at Government buildings, Bank of Ireland and AIB were each asked if they were in a position to provide immediate support to Anglo Irish Bank of €5 billion each, on the basis that the facility would be guaranteed by the Government. We confirmed that Bank of Ireland could provide €5 billion by 1 October and AIB said they could provide €2 billion funding on 30 September and a further €3 billion on 1 October.

60. I am aware that the Government had engaged professional advisers to assist in its consideration of the various options open to it, including the guarantee of all financial institutions in the State to protect the banking system.

61. Against the above background, I have no doubt that the Government made its decision believing that it was the appropriate decision and it did ensure that the Irish banking system was immediately protected from the inevitable significant collateral damage that would have been caused if Anglo Irish Bank had defaulted as a result of its liquidity issues.

SECTION 9: NATURE AND APPROPRIATENESS OF THE RELATIONSHIP BETWEEN THE CENTRAL BANK (INCLUDING FINANCIAL REGULATORY), DEPARTMENT OF FINANCE AND THE BANKING INSTITUTIONS (R3(b))

62. Bank of Ireland's primary relationship during the relevant period was with the Financial Regulator (as its lead regulator) as opposed to with the Central Bank.

63. From my perspective the relationship was professional and respectful and it was primarily at operational level via the Risk and Finance functions.

64. We complied with all regulatory reporting requirements together with any other requests received from the Financial Regulator and I was not aware of any serious issues or concerns having been raised by the Financial Regulator during the relevant period.

65. From late 2007 onwards, as the global financial and liquidity crisis evolved, I attended regular meetings with officials from Dame Street. John Hurley, the Governor of the Central Bank, usually chaired those meetings which were attended by several officials and the discussions were about hypothetical scenarios. I made it clear that Bank of Ireland's capacity to assist any other financial institution was extremely limited given the overall state of the funding market.

66. Until the beginning of the financial crises, our relationship with the Department of Finance was limited. . This situation changed following the Bank Guarantee which led to a much more direct involvement with the Department of Finance (especially in relation to discussions and negotiations on the preference shares).

67. I cannot comment on the relationship that any other banking institution had but in terms of Bank of Ireland, I would say that the relationship that we had with the Financial Regulator, Central Bank and Department of Finance was appropriate.

2nd APRIL 2015

BRIAN GOGGIN