

# HOUSES OF THE OIREACHTAS

Volume 2

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Morning  
No. 54  
Afternoon

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## AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉI- REACHTA

### JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

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*Dé Céadaoin, 29 Iúil 2015*

*Wednesday, 29 July 2015*

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The Committee met at 9.30 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.

should have been ... additional provisions should have been provided for the losses?

**Mr. Alan Merriman:** No. What was provided in the accounts was not we should be providing additional provisions. What was shown and disclosed in the accounts was these are the provisions that we have provided under the accounting standards and, by the way ... loose line ... by the way, we fully anticipate there's going to be higher loan losses in the coming periods.

**Deputy Kieran O'Donnell:** Why wasn't that done?

**Chairman:** Sorry-----

**Mr. Alan Merriman:** Sorry, that was done. That was done.

**Chairman:** -----Deputy, I take the point of clarification, now that's it, it's done, okay.

**Deputy Kieran O'Donnell:** That's fine.

**Chairman:** Mr. Merriman, I want to bring matters to an end. Is there anything you'd like to say by ... in addition or by closing remark or anything else?

**Mr. Alan Merriman:** No. Thank you, Chairman.

**Chairman:** Okay, with that said, I would now like to thank Mr. Merriman for his participation with the inquiry this morning and for his engagement with it. The witness is now formally excused. I propose we break for 15 minutes and return just after noon. Is that agreed? Agreed. Thank you.

*Sitting suspended at 11.47 a.m. and resumed at 12.16 p.m.*

### **EBS - Ms Ethna Tinney**

**Chairman:** Thank you very much. So I now bring the committee back into public session is that agreed? And we move on to session two of today's hearings with Ms Ethna Tinney, former independent non-executive director of the EBS. The Committee of Inquiry into the Banking Crisis is now resuming in public session and can I ask members and those in the public Gallery to ensure that their mobile devices are switched off. Today we continue our hearings with Ms Ethna Tinney, former independent non-executive director EBS. Ms Tinney was appointed non-executive director in December 2000. She was a member of the board audit and compliance committee from 2001 to 2005, she was transferred to the board credit committee in mid-2005. In 2007 she was voted off the board by members of the EBS at the AGM. In 2008 she was voted back on the board by the members and was a member of the board risk committee until May 2011. Ms Tinney, you are very welcome before the committee.

**Ms Ethna Tinney:** Thank you.

**Chairman:** Before hearing from the witness I wish to advise the witness 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 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 crimi-

nal proceedings are scheduled during the lifetime of the inquiry which overlap with the subject matter of the inquiry. Therefore, 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 and 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 these documents will be displayed on the screens to your left and right. Members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed.

The witness has been directed to attend this meeting of the Joint Committee of Inquiry into the Banking Crisis. You have been furnished with booklets of core documents. These are before the committee and will be relied upon in questioning and form part of the evidence of the inquiry. So with that said, if I can now ask the clerk to administer the affirmation to Ms Tinney please.

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

Ms Ethna Tinney, former Non-Executive Director, EBS.

**Chairman:** So, once again, Ms Tinney, welcome before the committee this afternoon and if I can invite you to make your opening remarks please.

**Ms Ethna Tinney:** Further to the direction of the Joint Committee of Inquiry into the Banking Crisis to make a statement in writing on the following lines of inquiry relating to my role as non-executive director of the EBS Building Society, referred to below as EBS, I say as follows. To quality of the business model setting process, there was no such process as the business model had been set prior to my joining the board. In 1985, when I wanted to buy a house, the rules of EBS were clear. Ninety percent of the purchase price was the maximum you could borrow and two and a half times your salary. If you had a spouse or overtime, half of what each of these brought in annually could be added. Documentation had to be produced to verify applications. All Irish banks had similar rules. By the time I joined the board of the society 15 years later, in December 2000, those rules had been abandoned, not just by EBS but by most, if not all, lending institutions. Mortgage applicants' declared incomes were sometimes well in excess of reality and up to six times the applicant salary was approved.

This happened gradually as the price of houses went out of the financial reach of most people, had the old rules still applied. I paid up to 14% per annum on the mortgage I held from 1985 to 1996 but, in the new euro scenario, interest rates had plunged which seemed to even out the risk. The risk of jobs being lost was not factored in, largely due to the country's booming economy. The induction to my new role as an EBS non-executive director was pleasant. The staff were delightful and the managers who explained their processes to me, equally so. However, I was uneasy when I was introduced to the idea of securitisation. In simple terms this is a way of packaging up mortgages into an asset and selling them on to a new layer of investors, who agree to pay a percentage of the nominal value of the loans in return for an agreed interest so that their money can be lent on again for new mortgages. It is ingenious in its way, as it is a system that seems to offer limitless working capital for a lending institution. But there is nothing to stop the new investors selling on their asset at a profit, and so on *ad infinitum*. Viewed that way, it has the look of a pyramid scheme and all depends on the original mortgages continuing to be serviced and becoming more expensive for the mortgagees. I could not get the image out of my head of a shark eating its own entrails. As time went by I became ever more doubtful of the fundamental banking concept of loans as assets and indeed of debts in any busi-

ness as assets. The only asset that reassures me is something I can control and I cannot control the repayment of debt owed to me.

To adequacy of board oversight over internal controls, managed and monitored: unfortunately, this proved inadequate, which became apparent when the board of EBS was finally advised that an employee in the treasury department had illicitly engaged in proprietary trading strictly against the rules of the society. Strangely, this same employee had been previously present with his manager at a board meeting when non-executive directors had probed the possibility of just such an illicit trade being made. The board was reassured at the time by the executive directors that such a thing could not happen because of so-called “back-room controls”. These evidently failed and EBS sustained a significant loss. Similar scenarios unfold in other banks all over the world from time to time. But far more damaging was the decision by the board to sell the headquarters in Westmoreland Street owned by the society in order to transfer to a rented premises in Burlington Road. Over time it became apparent that this was a catastrophe and the full board did not have oversight of the implications of the decision.

To appropriateness of property-related lending strategies and risk appetite: lending large sums to developers was new to the society. The senior management in EBS, as in most of the lending institutions, were taken in by Ireland’s so-called developers and also by their professional and other advisers. So were the members of the board, including me. The belief that there were substantial profits to be made for the society from these developments led us to emulate our peers, although we had been cautious about joining the bandwagon. There was a sort of feeding frenzy as the banks clambered over one another to get a piece of the action, especially as new foreign banks had entered the market as competitors.

To appropriateness of credit policies, delegated authorities and exception management: and here there is an anomaly, Chairman, which I just want to clarify. In your opening introduction, you correctly said that it was actually in mid-2005 that I was put on the credit committee. My memory was faulty there and this affects what I have to say. I was actually taken off the BAC in mid-2005 and put on to the credit committee instead.

**Chairman:** Okay, I’ll have that corrected. Thank you very much Ms Tinney.

**Ms Ethna Tinney:** In the period from mid-2005 to April 2007, I was inundated via e-mail by proposals from EBS senior management on behalf of developers for quantities of cash in the tens of millions which appeared to be asset-backed and also to contain personal guarantees. Typically, as a member of the credit committee, your approval or lack of it had to be sent also by e-mail to EBS by close of business the same day or the next day. The rationale was that if EBS did not facilitate the developer, another bank would and we would simply be losing out on the business. All these proposals seemed fail-safe. It did occur to me many times that the EBS credit committee should be meeting about each of these large proposals but my colleagues on the committee seemed happy to do the business this way, and as I had clashed with the majority of the board over several matters at this stage I had no appetite for further confrontation.

To adequacy of the incentive and remuneration arrangements to promote sound risk governance: the bonus system in banks is crazy. You get a bonus for lending money out. There is no incentive to get it back in. Such a system encourages greed and recklessness. It is no wonder that banks go bust from time to time.

To appropriateness of the bank guarantee decision: probably until the last syllable of recorded time, this will be argued by politicians, economists and journalists. My personal view

## NEXUS PHASE

as a citizen of the Republic of Ireland, perhaps to some extent influenced by hindsight, is that it was indefensible for the Government in September 2008 to in effect yield the sovereignty of this country in order to shore up a banking system that is entirely of and for itself and will never change. I do accept, however, that many grave problems would have arisen if one or more banks had failed and that the full extent of the bad debts were not known at the time.

To analysis and consideration of the response to contrarian views: I incorporate below in italics a letter I insisted on sending to the members of EBS in advance of the annual general meeting in 2007, 29 March that year:

*Dear Member,*

*Your EBS 2006 Summary Statement contains on the Notice of Annual General Meeting the following words:*

*“Ethna Tinney retires in accordance with the Society’s Rules and offers herself for re-election. (Members should be aware that the Society’s Board of Directors does not support Ms Tinney’s re-election as a Director)”*

*There are three reasons why the Board does not support my re-election.*

*In the years 2003 and 2004 the Board was intent on pursuing a deal with a foreign bank. This deal was characterised by the executive as a bold transformational play. I saw it as selling the family silver without giving the money to the family - you, the members. I opposed the deal from first to last. Ultimately the deal collapsed, but not before millions of euro of your money had been spent pursuing it.*

*In 2005 the Society advertised for new non-executive directors. I was a member of the Nominations Committee. Ten candidates were shortlisted through an external recruitment process. All ten were vetoed without any reference to me. I objected in the strongest possible terms. Last December I was removed from the Nominations Committee.*

*In 2006 the Board fractured over corporate governance. Three members, including me, became unhappy about aspects of senior executive remuneration and the payment of a multi-million euro sum into the Senior Manager’s Pension Fund without reference to the Board.*

*Am I right or wrong to oppose matters which appear to me to be against the interests of you, the members? If you believe that independent judgement exercised without fear or favour is a good thing on your Board then come to the AGM on April 16th or send your proxy to arrive not later than April 9th at EBS Building Burlington Road Dublin 4 and re-elect me.*

This letter does not mention that I had repeatedly raised concerns about the size of mortgages we were lending to people. Nor does it detail my explosive response at a meeting in early 2007 to a proposal by the executive to get involved in sub-prime lending. A non-executive director colleague told me in front of the board that my response was “intemperate”, although the sub-prime industry in the US was already beginning to implode. Contrarian views were not tolerated on the board of the society.

To appropriateness of the relationships between Government, the Oireachtas, the banking sector and the property sector: I have never had a relationship with any member of the Government nor the Oireachtas nor the property sector. I do not golf, do not visit tents at racecourses

and am not invited to dinners. But my sense, as a citizen of Ireland and as a director of EBS for nine years, is that there is a deeply unhealthy relationship between all four.

In conclusion, I wish to emphasise that this witness statement refers specifically to my time as a non-executive director on the board of EBS in the period December 2000 to April 2007 when I was removed from it. By the time I was re-elected onto it in 2008 there had been many changes to its composition and a new chief executive officer had been appointed. Sadly, it emerged during the next three years that EBS was irrecoverable. I retired from the board at the end of my third three-year term in May 2011.

**Chairman:** Thank you very much, Ms Tinney. We'll get questioning under way, and in doing so, I now invite Deputy Joe Higgins. Deputy, you have 25 minutes.

**Deputy Joe Higgins:** Thank you, Ms Tinney, and your conciseness I will try to emulate. You were on the board from 2000, 2007, 2008-2011. Could you just very briefly, if you would please, recap the origins and the founding ethos of what became the EBS, formerly the Educational Building Society?

**Ms Ethna Tinney:** Well, I wouldn't have been that familiar with it, to be honest with you, Deputy, because the way it happened was that there was a public advertisement which I saw in *The Irish Times* in September 2000 inviting members of the EBS to apply for the position of non-executive director. And when I decided to do that, I was not particularly concerned with the founding ethos of EBS. I had had my mortgage with them from '85 to '96 so, therefore, I was familiar with how they liked to do things but I didn't delve into the history of EBS, to be honest with you.

**Deputy Joe Higgins:** Okay. But it was set up in its ... set up as an assistance to teachers and some other public sector companies.

**Ms Ethna Tinney:** I was aware of that and I think it was actually set up by a teacher.

**Deputy Joe Higgins:** Yes.

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** Yes, okay. Thank you. Why, as a mutual building society, did EBS see it as strategically appropriate to enter the commercial lending market do you think?

**Ms Ethna Tinney:** If I was to be very blunt about it, I would say that there was a lot of testosterone rolling around in senior management and on the board at the time. And there was a sense that we were getting left behind as a lending institution, particularly with a view to INBS, which was the Irish Nationwide Building Society which was referenced quite frequently at board meetings by management. There was a sense that we were becoming a minnow as INBS expanded its lending and started to post profits that were up to five times the profits we were posting. And I think it wasn't so much strategic but a competitive urge, a wish to compete and I'm not sure that there was ... I don't recall any heart searching about why we would move from being what you might call, an old-fashioned small building society/bank, into trying to compete with ... in a more voracious arena of----

**Deputy Joe Higgins:** Okay, so there would have been-----

**Ms Ethna Tinney:** -----development lending.

**Deputy Joe Higgins:** -----there would have been a high consciousness among management, it's a question, that other banks in the Irish market were seeking double-digit growth. And, for example, in evidence here the chairman of Allied Irish Banks referenced Anglo Irish Bank as being constantly put up to them as a model to be followed, putting pressure on them, he felt. Would that be a similar situation?

**Ms Ethna Tinney:** It was exactly the same thing. AIB was looking over its shoulder at Anglo and EBS was looking over its shoulder at INBS.

**Deputy Joe Higgins:** Okay. And was there much time in your period on the board allocated to the strategy in relation to commercial property? Was there much discussion on what that strategy should be and how it should be evolved?

**Ms Ethna Tinney:** No. I think one of the things that I found most difficult about being a non-executive member of the board of EBS was that the way board meetings were run, was that you were sent a package, usually at very short notice ... it could be that thick ... on various topics that were going to be discussed at the board meeting. These would contain a lot of power presentations printed out that management were going to then take the board through during the meeting. So what would ensue was that you would have read these papers and yet the relevant manager would spend maybe an hour and a quarter actually taking you through all the frames again. And the net result of this was that if you had two or three presentations like that, the board meeting was over. So I began to realise that we were not talking to each other in the absence of management about the thrust of where these proposals were going. These proposals were managerial proposals-----

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** Okay, now the-----

**Ms Ethna Tinney:** The strategy was overlooked, I think. Yes.

**Deputy Joe Higgins:** Yes. The commercial property loans grew from €460 million in 2001 to €1.7 billion in 2007 and €2.3 billion in 2008 - a 500% increase which by any standards is quite acute. I'm puzzled as to how that tallies against the board minutes of 31 May 2002 when the strategic plans said it would be a question of putting ... well, I'll quote the "Toe in the Water" and "The Toe in the Water approach is the favoured one".

**Ms Ethna Tinney:** Can you just reference the page? I know what you're talking about and I have a comment to make on it.

**Deputy Joe Higgins:** It's simply that ... the page is 95 in your book-----

**Ms Ethna Tinney:** In Vol.1, is it?

**Deputy Joe Higgins:** Yes.

**Ms Ethna Tinney:** Yes. Okay.

**Deputy Joe Higgins:** You don't really need to go there, Ms Tinney, in the sense that I'm just saying the reference is "The Toe in the Water approach is the favoured one", according to these minutes. I'm saying does that tally with that rapid increase in growth that I outlined?

**Ms Ethna Tinney:** No, it does not. And the comment I want to make about that is that it's also, if you like, a management strategy, not necessarily a board strategy, to induce agreement from board members to go down a certain path by seducing them, by making it seem that it's actually not a very large move to make. That's why expressions like the "toe in the water"-----

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** -----is used.

**Deputy Joe Higgins:** Yes. If we come forward then and this is starting at page 99 in Vol.1, Ms Tinney, and this is the EBS commercial business plan from 2005-2008-----

**Ms Ethna Tinney:** Yes, I have it.

**Deputy Joe Higgins:** -----and if you go to page 101-----

**Ms Ethna Tinney:** I see it.

**Deputy Joe Higgins:** -----it would seem that, perhaps, things have ... went forward from the "toe in the water" when, in the "Step Up" strategy, page 101, bottom right-hand side, favours "Grow high margin business in development finance ... Low emphasis on growing current business lines which have low ROC [return on capital]." This would seem, would it, to have formalised a move from the "toe in the water" to something more considerable in terms of large-scale commercial lending?

**Ms Ethna Tinney:** It certainly did and it struck me so much that I highlighted it because looking back on my experience, as I have described it to you, of the interaction between management and the board itself, what I imagine is that what management really wanted was the "Rocket Strategy".

**Deputy Joe Higgins:** Was?

**Ms Ethna Tinney:** Was the "Rocket Strategy".

**Deputy Joe Higgins:** Yes, okay.

**Ms Ethna Tinney:** They weren't prepared to say that. So once again, it was a way of, you know, "Let's get started on this road." Well, we were well down the road at this stage.

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** And once the ball is rolling, it's very, very hard to stop it.

**Deputy Joe Higgins:** Yes and the strategy outlined, Ms Tinney, for the growth projected in commercial lending in 2005 was to be 25%; 2006, 29%; and the profit levels equally that were laid out were to be of a similar order - 25%, 2005-2008, in the updated strategy for 2004-2008. They seem to be high levels of profits in a mature market. Were you able to intervene at the board or do you remember challenging any of these growth figures as being, perhaps, too high, too ambitious?

**Ms Ethna Tinney:** No, because my sense at this stage on the board ... certainly by 2005 but even earlier on, was that I was beginning to be regarded as a troublemaker, as a naysayer, as a maverick. There were other people on the board who had a much deeper understanding of the financials, in the sense that they were part of the financial industry, okay? And, therefore, yes,



of course, you know, I would look at these figures and it didn't happen just in, say, 2005 for three years. Every year, we would be presented by the chief executive with the most seductive, is the word I would use again, seductive suggestions about profitability and growth.

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** And the general attitude of the board was "This is amazing, let's go for this."

**Deputy Joe Higgins:** Okay. And in going for it apparently, Ms Tinney, in the EBS and developers as you outline it ... for example, in page 5 of your statement. And you speak about being inundated with proposals from EBS management on behalf of developers for quantities of cash in tens of millions and so forth being given very little time to process or absorb or to make a decision.

**Ms Ethna Tinney:** Yes, absolutely.

**Deputy Joe Higgins:** Now, in ... Mr. Merriman this morning said in evidence that this was just a last stage of a lengthy approval process and that board members would have received relevant and suitable advice to help them with their decision. Was that the case as you found it?

**Ms Ethna Tinney:** Not at all. I would be working for RTE in Lyric FM down in Limerick and my heart would fail me when, yet again, there would be an e-mail from EBS, carefully tabulated, setting out a proposal. It might run to 17 or 18 pages. But in terms of any assistance in dealing with it, there was absolutely none and also, as I say in my statement, you know, it occurred to me many times - the credit committee should be talking about this. We shouldn't be just asked in 24 hours, "Send back your approval or not". You know-----

**Deputy Joe Higgins:** So am I-----

**Ms Ethna Tinney:** -----looking back on it, it was crazy.

**Deputy Joe Higgins:** Am I right here, Ms Tinney, that decisions then to give serious amounts of money to developers were not taken after a discussion on a board meeting, but were done by the ... done by board members via e-mail? Is that-----

**Ms Ethna Tinney:** Yes. That is what I am saying.

**Deputy Joe Higgins:** Is that the case?

**Ms Ethna Tinney:** Yes, yes, by the committee that was delegated which was the board ... to give it its full title - the board credit approval committee, BCAC.

**Deputy Joe Higgins:** Why was it a 24-hour period do you know?

**Ms Ethna Tinney:** I have no idea except that the rationale was that ... there's an example of this here actually from Alan Merriman.

**Chairman:** Can you cite the page and I'll bring it up for you?

**Ms Ethna Tinney:** If I can find it-----

**Chairman:** Yes.

**Ms Ethna Tinney:** I will find it. I think it's at the front of ... where he actually says, "It

would be appreciated if we could get back within 24 hours”.

**Deputy Joe Higgins:** We can take that-----

**Ms Ethna Tinney:** We’ll find it.

**Deputy Joe Higgins:** We can take that-----

**Ms Ethna Tinney:** We’ll find it, yes.

**Deputy Joe Higgins:** We can take that, Ms Tinney-----

**Ms Ethna Tinney:** And the rationale was, sorry, Deputy, was that if we didn’t comply with the requirement of this developer to let him or her know - and they were nearly all him, but they weren’t all. Sometimes there would be married pairs or consortiums-----

**Deputy Joe Higgins:** Yes-----

**Ms Ethna Tinney:** -----that, you know, basically they would say, “Well, you can keep your money because we are going to get that somewhere else.”

**Deputy Joe Higgins:** Okay, do you recall ever for asking for more time yourself? Did you complain about this process?

**Ms Ethna Tinney:** I think I said in my statement that “I was weary at this stage”.

**Deputy Joe Higgins:** From other issues-----

**Ms Ethna Tinney:** From other issues, exactly, of being contrarian yet again-----

**Deputy Joe Higgins:** Okay. Okay, we will just move on. You say in your statement you ‘were uneasy when introduced to securitisation’-----

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** -----which is the parcelling up of bundles of mortgages and selling them on to other organisations or funds of various kinds and, as we know, that was a huge part of the United States subprime mortgage scene. But was that the case with the EBS?

**Ms Ethna Tinney:** Oh, absolutely. There is ... in the documentation it states that up to 1999 or ‘98 100% of our funding came from retail deposits -100%. Now, securitisation started in 1999 with the EBS and when I arrived a year later, it was in full flow, just like everything else that’s, you know, thing. So, basically by, I think it’s 2005, it’s in Alan Merriman’s statement, 75% of our funding was coming from what they like to call “wholesale funding” and only 25% from retail deposits. So, I mean, that is a colossal change, an absolute, you know, a colossal change and the problem about it was that this absolutely fuelled what happened with the housing boom and the prices of houses because there was unlimited funds available to the banks to lend out you know. You package your mortgages, you sell that as an asset, you know, you get money in, you make more mortgages, you package them and so on.

**Deputy Joe Higgins:** Yes.

**Ms Ethna Tinney:** It goes on and on.

**Deputy Joe Higgins:** And were those packages of mortgages and what we are talking about

here is human beings living in homes that-----

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** -----they were paying mortgages for.

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** Were they actually sold off lock, stock and barrel?

**Ms Ethna Tinney:** Yes. That's the way securitisation worked because-----

**Deputy Joe Higgins:** And was there any reference to the mortgage holders?

**Ms Ethna Tinney:** In the early days, I do recall that when we would have presentations made to us by treasury when they were going out on what they called, "roadshows" - they were called, "roadshows" - and that query that you've just asked did come up. And I'm thinking about, say, 2001, 2002 when this really started to rock and roll that the ... we were assured by treasury that anybody whose mortgage was in the pool - they were called, "Emerald", in EBS so Emerald 3, Emerald 4, Emerald 5 - would be notified that this is what was going to happen to their mortgage and if they had an objection, to object.

**Deputy Joe Higgins:** Right.

**Ms Ethna Tinney:** And then that disappeared off the horizon and we never heard any more about it ... about the mortgage holders.

**Deputy Joe Higgins:** Okay, so-----

**Ms Ethna Tinney:** -----The mortgagees being, yes-----

**Deputy Joe Higgins:** -----a possibility is it, would be that you could have ordinary home owners bought their home in good faith with EBS-----

**Ms Ethna Tinney:** That's-----

**Deputy Joe Higgins:** -----were paying their mortgage, sold off, perhaps, to what is sometimes referred to as "vulture funds", have had their conditions reduced or interest rates increased, is that a possibility in relation to what happened?

**Ms Ethna Tinney:** It didn't really work like that because, excuse me, it wasn't that the vulture fund could target a particular mortgage, kind of - what would you call it? - a pool of mortgages. But it would affect the decision that EBS would make about the variable rates that it was going to impose because the relationship between let's say, the vulture funds - they weren't all vulture funds - that would invest in these things was not directly with the mortgage holders. As far as the mortgage holders were concerned, their relationship was still with EBS.

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** But it explains why the frustration of the mortgagees when they could see lending rates going down and this was not being reflected in what they were being expected to pay.

**Deputy Joe Higgins:** Okay.

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** Thank you. Just moving on to a different item, Ms Tinney. You said it was a damaging and a catastrophic decision, I am paraphrasing-----

**Ms Ethna Tinney:** Yes.

**Deputy Joe Higgins:** -----to sell the EBS headquarters in Westmoreland Street, that the implications were not seen. Why was it damaging, catastrophic and what were the implications?

**Ms Ethna Tinney:** Because we couldn't afford it and it was very, very simple. It was another thing that I found-----

**Deputy Joe Higgins:** Sorry, we couldn't ... you-----

**Ms Ethna Tinney:** Yes, I'll explain. We owned Westmoreland Street, okay? We had owned it for years and years and years and not only was it our headquarters, but it was our most important branch because of the footfall, the number of people who would use it and all that kind of thing. It was a real asset for EBS. Now the rationale for selling it, which didn't happen by the way, for years. It lay empty for years. That was one of the things that we hadn't thought through as a board was that we were now doing the very opposite of what EBS had been set up in the first place to do. We were selling our home to move into rented accommodation. The rented accommodation was a very, very fancy building in Burlington Road, which never had a branch, okay? Although it was mooted to open a branch in the early stages. Again, one of the seductive processes of getting the board to agree to this 25-year lease, by the way 25-year lease on this building, state-of-the-art building. We were involved with the builder. I am not going to say who it is because I-----

**Deputy Joe Higgins:** Yes.

**Ms Ethna Tinney:** -----I feel that that would not be right. We were involved in that we were lending the money to build the building but we were also going to become the tenant. So it was wheels within wheels and a deal within a deal and an awful lot of the implications of this didn't become apparent. I also recall a long-standing difficulty where the board had said, "We don't need all this accommodation. We don't need it all", and in order to seduce us - I keep using that word, but it was a seductive technique - to agree to it, we were told that the 4th floor would be leased out and we would make so much money, you know, on the leasing of that, subleasing, to some other tenant. That never happened and I doubt that management ever intended that to happen, yes.

**Deputy Joe Higgins:** Ms Tinney, you refer to the bonus culture. Some would call it as being crazy. Did you ... again, were you in conflict with the board or with elements of the board of management in regard to that in EBS?

**Ms Ethna Tinney:** No, I think my thinking on it clarified over time, to be honest with you.

**Deputy Joe Higgins:** And just finally, Ms Tinney, then, you refer to the relationship between the bankers and developers as a "feeding frenzy". You refer to securitisation as "shark eating its entrails". And you refer to "greed and recklessness" in the banking system. And then you also say, in relation to the bank guarantee, "in effect yield the sovereignty of this country in order to shore up a banking system that is entirely of and for itself and will never change." What do you mean by a "banking system that is entirely of and for itself"?

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**Ms Ethna Tinney:** What I mean by that is that, as we sit here in this committee of inquiry, the banks are finding new ways of shoring up their profitability with other derivatives, like securitisation, like a covered-bond bank. They're not changing. They're ... the banks have absolutely, in my view, and maybe, Chairman, you can stop me if I'm going too far, the banks-----

**Chairman:** Oh I will, but drive on.

**Ms Ethna Tinney:** -----have absolutely ... absolutely no sense of guilt about what they have done. And if left unchecked, they are going to do it all over again. And the housing boom, by the way, has already started.

**Deputy Joe Higgins:** Finally, Ms Tinney, what would your view then be on a publicly-owned, democratically-run banking or financial system, as opposed to the present model?

**Ms Ethna Tinney:** Well, look, I think, you know, we remember ACC, we remember ICC when they were State-owned, you know. I think they worked very well. In many, many countries there have been State-owned and co-operative-type banks. I think that they work better. I do ... I really do think ... I think that the bank ... private banking system is unbridled capitalism and, to that extent, because ... and because it's become so enormous and because the waves go out around it with more and more financial institutions trying to take little nibbles - and that's what I mean about the shark eating its own entrails - so that the end products are that much more expensive for those of us who have to pay for it, that this is actually leading to the situation that we all know of, you know, inequality stretching, stretching, stretching. And also to a size of the financial services industry that's unprecedented and wholly unproductive, except for passing money around between itself. You know, it's frightening.

**Deputy Joe Higgins:** Some people have ... or the financial market system, say, within Europe, the austerity agendas, etc., has led some commentators to say that it's a kind of an economic dictatorship. Would you have a view on that?

**Ms Ethna Tinney:** I would agree with that.

**Chairman:** Maybe a bit leading, Deputy. Maybe.

**Ms Ethna Tinney:** A bit.

**Deputy Joe Higgins:** Anyway.

*(Interruptions).*

**Chairman:** But I can see you going out to dinner on this one. Deputy Higgins to conclude please.

**Deputy Joe Higgins:** Chair, if there are any pro-marketeers among the members, they can challenge that. I'm concluding, thank you.

**Chairman:** Drive on, Deputy Higgins, drive on.

**Ms Ethna Tinney:** He's finished. Are you finished?

**Deputy Joe Higgins:** I'm finished.

**Chairman:** Thanks very much. Deputy Kieran O'Donnell.

**Deputy Kieran O'Donnell:** Thank you, Deputy Higgins. Welcome, Ms. Tinney. Haven, the broker ... and I'm referring, Chairman, to book 1, page 113 to 122, and I also want to refer to page 75 as well, Chairman. So, firstly, page 113, which is a briefing document on the broker market entry, 21 January 2005, and the ... page 75 relates to a review on the Haven set-up costs, which Ms. Tinney probably would be familiar with. It would ... this statement is ... would be during a period in which you were not on the board but you probably were familiar with the background to it.

**Ms Ethna Tinney:** To the setting up of Haven, are you talking about?

**Deputy Kieran O'Donnell:** Yes, yes.

**Ms Ethna Tinney:** Yes, absolutely, yes. Well, it was already moved before I was removed, yes.

**Deputy Kieran O'Donnell:** Yes, so ... so Haven-----

**Ms Ethna Tinney:** So, what page are we on? Sorry ... sorry, Deputy.

**Deputy Kieran O'Donnell:** I'm on ... well, really, I suppose, what I want to get clarification on is page 116 initially.

**Ms Ethna Tinney:** 116.

**Deputy Kieran O'Donnell:** So it speaks about "ABC Mortgages".

**Ms Ethna Tinney:** Yes.

**Deputy Kieran O'Donnell:** Is that different from Haven or is that more of the same?

**Ms Ethna Tinney:** Yes, ABC became ... morphed into Haven, yes.

**Deputy Kieran O'Donnell:** Fine. The broker market business of EBS was a significant change for it, and did the board, in your view, have sufficient understanding of what it was getting into? And what was your view of the impact of this business on EBS later on?

**Ms Ethna Tinney:** Well, I think in this sense the board was not, if you like, maybe so led up a garden path because it did become clear, for whatever reason, during the early 2000s that brokers were becoming a very large part of the way mortgage business was done. I think people were just so busy. I think that that was a driver of that, you know. Very often young people, they would both be working, you know, and had they endeavoured to get a home they nearly, you know, always were. And, therefore, it was much easier to go to a broker who would facilitate getting your mortgage, take a lot of the paperwork off the hands of the applicants-----

**Deputy Kieran O'Donnell:** Do you remember the deliberations at the board level on the set up of what became Haven?

**Ms Ethna Tinney:** I ... all I recall is we were told that if we didn't do this, you know, we would be again losing out, because, you know, 34% of the business was now being done through brokers, so-----

**Deputy Kieran O'Donnell:** Was there any due diligence done at board level? Like, did ye

discuss it in-----

**Ms Ethna Tinney:** No, no.

**Deputy Kieran O'Donnell:** -----what were the pros and cons or-----

**Ms Ethna Tinney:** No.

**Deputy Kieran O'Donnell:** So it was just assumed it was going ahead.

**Ms Ethna Tinney:** The board seemed to be in ... very collegiate, you know, perhaps apart from myself and one or two others, you know.

**Deputy Kieran O'Donnell:** How did you feel about them going into the broker market?

**Ms Ethna Tinney:** Well, it seemed to make sense, to be honest.

**Deputy Kieran O'Donnell:** Okay. And going to page 75 in that regard, it said that there were ... in '07 they were supposed to ... EBS and Britannia Building Society were to do a joint venture. Do you remember the circumstances around that? Britannia, they actually backed out of that joint venture in November.

**Ms Ethna Tinney:** I remember it very well because when I referred in my document, my statement, to my intemperate so-called outburst, it was about setting up a sub-prime business with Britannia. And-----

**Deputy Kieran O'Donnell:** So Haven was going into that area as well?

**Ms Ethna Tinney:** Yes. Oh yes, without a doubt.

**Deputy Kieran O'Donnell:** So you had established a broker business and then it was going into the sub-prime as well subsequently?

**Ms Ethna Tinney:** The ... no. The two ... again, it was, you know, one thing morphed into another. I think Haven was the sub-prime, yes-----

**Deputy Kieran O'Donnell:** Okay.

**Ms Ethna Tinney:** -----in its actuality.

**Deputy Kieran O'Donnell:** So you might just elaborate on your intemperate outburst that day at the board meeting on Haven ... on the sub-prime.

**Ms Ethna Tinney:** Okay. Well, what particularly frustrated me was that I had ... this is maybe going a bit far, Chairman, I have to refer to you here because in this case I have to refer to individuals.

**Chairman:** Could you just take it in an aggregate form for the moment and if I need you to be specified. I can take a more specified-----

**Deputy Kieran O'Donnell:** Can she indicate, Chairman, in terms of positions rather than individuals?

**Ms Ethna Tinney:** Yes, that would-----

**Chairman:** In general aggregate terms, senior managers and so forth, like. Okay.

**Ms Ethna Tinney:** Yes, yes. Well, I need to reference the then chief executive officer.

**Deputy Kieran O'Donnell:** When was this?

**Ms Ethna Tinney:** This was at a board meeting in January 2007.

**Deputy Kieran O'Donnell:** Fine.

**Ms Ethna Tinney:** Okay. And I had noted over a number of years that what tended to happen was that when proposals were made - and we've discussed some of them - to change the strategy of what the society was doing, they were always presented, not by the chief executive officer, but by one of his senior managers. And I felt that this was not right. Because I felt that this ... if this was what the chief executive officer ... chief executive, CEO, we'll just say CEO ... if this was what he wanted, he should come forward and say so clearly. So, once again, when this suggestion was put by one of the senior managers at the board meeting ... and I always remember what that person said, "There's money to be made in sub-prime." And that's when I exploded. And I said, "And there's an awful lot of money to be lost [right] in sub-prime." And then I turned to the CEO and I said, "And if this goes up in flames, it's you who I am going to blame and not your senior manager who's proposed this."

**Deputy Kieran O'Donnell:** And what subsequently happened about the sub-prime proposal? Did it proceed in EBS?

**Ms Ethna Tinney:** Oh yes. It became part of what Haven was all about.

**Deputy Kieran O'Donnell:** And do you believe ... what was the reason, in your view, that you were not supported-----

**Ms Ethna Tinney:** Not listened to.

**Deputy Kieran O'Donnell:** -----by the board to being reappointed in March '07? What was the real reason?

**Ms Ethna Tinney:** We'll ... we'll get to that in a moment. But why did I get no support-----

**Deputy Kieran O'Donnell:** Yes.

**Ms Ethna Tinney:** -----when I had my outburst? I think because the enormity of what was being proposed was not realised by the other board members. Maybe they weren't watching what was happening in America, you know? Maybe they weren't. I don't know. I can't speak for them.

**Deputy Kieran O'Donnell:** So there was no dissenting voice bar your own?

**Ms Ethna Tinney:** Absolutely not.

**Deputy Kieran O'Donnell:** Okay. And can you follow on from that? What do you believe was the real reason that the nominating committee, or the board, did not support your reappointment to the board a couple of months later, in March '07?

**Ms Ethna Tinney:** I think the real reason was that I had really got under their skin and that they were fed up with me.



**Deputy Kieran O'Donnell:** You were a nuisance.

**Ms Ethna Tinney:** I was a nuisance, precisely. And, "Let's get rid of her".

**Deputy Kieran O'Donnell:** And, did you have any support on the board?

**Ms Ethna Tinney:** I did, one person.

**Deputy Kieran O'Donnell:** And that person, did that person ... what way did they articulate that support?

**Ms Ethna Tinney:** It was in a ... it was actually minuted, so I was pleased to see it. What I ... what happened was - and I've tried to find this document but I can't - that, it was indicated to me that my re-election ... not so much that my re-election wouldn't be supported, but just, "Would you please stand down?". I was required by the chairman to stand down, and I said I wouldn't. And because I had the right, as a sitting director, to nominate myself, I didn't have to get any support. And, at that stage, I think either the chairman suggested to me or I suggested to him, I said, "Can I put my case to the board? I would like to do that". And that happened shortly afterwards, so it was during January.

**Deputy Kieran O'Donnell:** So, this was after that ... your intemperate outburst on the subprime lending.

**Ms Ethna Tinney:** Yes. It would ... yes, it was just after that that I was informed that I was, maybe, surplus to requirements. So, I asked if I could address the board. And, naturally, I put a lot of effort into the address that I made, which was about ten minutes or 15 minutes, to try to explain my position, my contrarian position, if you like, on various items. I was listened to attentively but everybody's eyes were down, which is ... you know, I knew what was going to happen. And then I was asked to leave the room so that they ... the board could discuss it. And it was ... and I went home. And, minutes are a very interesting thing about ... on boards, but we won't get sidetracked or we could talk about that forever. But it was minuted, and it turned out that one member of the board had voted that my election should be supported, or my nomination should be supported. Just one, yes.

**Deputy Kieran O'Donnell:** And do you put it down to an accumulation or do you put it down to your defiance in terms of the bank's proceeding into the subprime market?

**Ms Ethna Tinney:** No, it was an accumulation. Oh, it, it really ... it started back with the Rabo thing. It started back in 2003 and 2004 when I objected, absolutely, to the idea that EBS would be enveloped by Rabobank without the members getting anything from it.

**Deputy Kieran O'Donnell:** Okay.

**Ms Ethna Tinney:** And, that, you know ... and I objected over a two-year period to that. And, again, without, really, any backup from anybody, because I was the only person who resented it. And I resented it purely because there was never any member proposition, let alone that the members weren't going to be given any money, but that there was no proposition ever tabled for them. So, you know, we were just talking about money and what would happen between Rabo and EBS.

**Deputy Kieran O'Donnell:** And, Ms Tinney, would you have articulated, at board level, that, we'll say, areas like the rapid increase in the land and development as distinct from commercial lending from '05 on, and their entering into sub-prime market, did you believe that to

be reckless, or not, on behalf of the, the bank ... the board of the EBS? Would you have articulated that at board level? Would others have articulated that?

**Ms Ethna Tinney:** I think that my short answer to that is yes, because I think the general sense was shared, you know. I was clear about it, but the general sense was shared by several members of the board that this was all happening too fast. There were far ... it was far too much changing, far too quickly, and we can see that in the reality that, you know, the loan book grew from €5 billion in 2002, well, just under €6 billion, to just under €16 billion.

**Deputy Kieran O'Donnell:** But ... and, when did you ... when was the rapid escalation? Was that from '05 on?

**Ms Ethna Tinney:** I'd say '02 to '07, but it went its steepest curve from '05 to '07, and so I do feel implicated in that, as a member of the credit approval committee, you know, during that period, you know, yes.

**Deputy Kieran O'Donnell:** And, can I direct you in that regard, Ms Tinney, to page 143, 144 and 147, Vol. 1?

**Ms Ethna Tinney:** Sorry, we're starting at 143?

**Deputy Kieran O'Donnell:** At 143, yes.

**Ms Ethna Tinney:** 143.

**Deputy Kieran O'Donnell:** And these are, Chairman, these are two of the e-mails you, you refer to, from Alan Merriman to other members of the credit committee.

**Ms Ethna Tinney:** Exactly.

**Deputy Kieran O'Donnell:** The first was, effectively, that you had to come back by noon, which, that came at, that was the 26th, and you've to ... at 8.39 a.m. and it should be back my noon the following day. And this was a commercial loan, development loan, that went from an increase from €34 million to nearly €89 million for one individual. The second one was, on page 147, you were required ... this was a memo that came at just about 14.37, just after 2.30 p.m. on 12 April 2006, and you were required to have that back by "early afternoon tomorrow".

**Ms Ethna Tinney:** Yes.

**Deputy Kieran O'Donnell:** So, the first one, were these a regular occurrence?

**Ms Ethna Tinney:** They were too regular as far as I was concerned. I found them quite frightening.

**Deputy Kieran O'Donnell:** So, how often would you get them? The first one was on 25 January '06.

**Ms Ethna Tinney:** Yes, and then 12 April '06.

**Deputy Kieran O'Donnell:** Correct. So, 25 January '06, I mean, is ... it's a loan exposure to one individual going up by about 160%, over ... the total amount was €55 million. So, how often would these e-mails have come to you?

**Ms Ethna Tinney:** If I gave you my best guess, I would say, in the period from mid-2005 to

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when I left in April 2007, this would have happened maybe 30 times. Now, the loans wouldn't all have been of that size or magnitude. But-----

**Deputy Kieran O'Donnell:** Was that the biggest?

**Ms Ethna Tinney:** But, those ones that you're talking about, they really frightened me.

**Deputy Kieran O'Donnell:** And was that the largest that would have come through?

**Ms Ethna Tinney:** I can't remember, Kieran, to be absolutely honest with you. It's a long time ago, you know?

**Deputy Kieran O'Donnell:** Okay, but ... and did other people on the credit committee have reservations about the way this was happening, in terms of e-mails coming out and so forth?

**Ms Ethna Tinney:** I don't know, because we never talked about it.

**Deputy Kieran O'Donnell:** And were you-----

**Ms Ethna Tinney:** You see, I thought of it as divide and conquer, that ... the way it was done. And, you see, it's very interesting, because I want to answer your question, but when the whole idea of setting up a board credit approval committee was mooted by Joe Ryan back in April 2003 - and I wasn't one of the first members on it - you know, he does say that ... he talks about the-----

**Deputy Kieran O'Donnell:** No, I saw that; I've seen all that.

**Ms Ethna Tinney:** -----the discomfort, you know, for the members, you know, in not being able to discuss it.

**Deputy Kieran O'Donnell:** Well, I just want to know the procedure. Did the credit committee meet to approve loans?

**Ms Ethna Tinney:** I only remember one meeting in my entire six ... 18 months.

**Deputy Kieran O'Donnell:** So, all the loans were basically approved by way of e-mail?

**Ms Ethna Tinney:** Yes.

**Deputy Kieran O'Donnell:** If you didn't respond to the e-mail, if you didn't respond-----

**Ms Ethna Tinney:** Yes. I never didn't respond.

**Deputy Kieran O'Donnell:** You always did?

**Ms Ethna Tinney:** I always responded, yes. One way or the other.

**Deputy Kieran O'Donnell:** And were they always in the affirmative?

**Ms Ethna Tinney:** Not always, no, but they were generally in the affirmative, because the way they were presented looked, as I said in my statement, fail-safe - 65% of the value of the land, whatever, people who were mega, mega owners, household name developers.

**Deputy Kieran O'Donnell:** Do you believe that you had the requisite financial, technical knowledge to be on a credit review committee of a large financial institution like EBS?

**Ms Ethna Tinney:** No.

**Deputy Kieran O'Donnell:** So, why did you take the position?

**Ms Ethna Tinney:** Because I didn't realise, when I took it on. I had done well on the BACC, which is rather different, you know.

**Deputy Kieran O'Donnell:** The which? On-----

**Ms Ethna Tinney:** The board audit and compliance committee.

**Deputy Kieran O'Donnell:** Okay.

**Ms Ethna Tinney:** I had been on that for five years with ... not the chairman of the society, we had a different chairman.

**Deputy Kieran O'Donnell:** What did ye do in that first committee, the audit committee?

**Ms Ethna Tinney:** Oh, we ... a tremendous amount of forensic, kind of, looking at accounts, internal accounts, internal audits, and so on.

**Deputy Kieran O'Donnell:** Did you have the technical knowledge for that post?

**Ms Ethna Tinney:** Yes, I felt I did. Because, if I didn't ... if I felt I didn't understand what was going on, I always felt free to ask questions. Some of the BACC, you know, meetings, went on for up to six hours.

**Deputy Kieran O'Donnell:** And do you believe that the board itself had the requisite composite technical knowledge to take on management in terms of proposals that were put to the board?

**Ms Ethna Tinney:** I think that it's hard to say, because the outcome was a disaster. So, whether it came from a lack of knowledge and experience of how banks work within themselves. Let's just say in that first board there weren't any bankers. There were members ... a partner of KPMG, that sort of thing, people were very experienced in the financial sector, but we did not on that first board have any bankers so that's quite interesting.

**Deputy Kieran O'Donnell:** Your institution showed an increased reliance on wholesale funding from 2005 to finance the growth in loan portfolio. Were you aware of these issues? Did you regard it as a fundamental risk and how confident were you in the society's ability to meet its funding strategy in 2008? Were you aware of the fact that the wholesale funding went from effectively nearly over 70% of the ... sorry the deposits went from over 70% of the funding requirements of the banks to, by the time of the guarantee, to 24% of the requirements? Wholesale funding went from up to over 70% of the funding requirements of the banks from being around-----

**Ms Ethna Tinney:** Sorry, I did mention this earlier on but I did it the other way round, that's right. Oh yes, I was very conscious of that-----

**Deputy Kieran O'Donnell:** Did you bring it up at board level?

**Ms Ethna Tinney:** -----and I was very nervous of it. Yes, when the securitisation proposals would come in, which was the fundamental wholesale apart from corporate deposits that we engaged in at that time. They morphed then. They were abandoned by the time I came back.

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But the covered bond bank is no different really. So, yes, I was always nervous of it. I said in my statement I was nervous of it from day 1, yes.

**Deputy Kieran O'Donnell:** What was your assessment of liquidity and solvency of the society on the night of the guarantee, on that fateful night on the 30 September 2008?

**Ms Ethna Tinney:** My opinion of the liquidity or solvency?

**Deputy Kieran O'Donnell:** Both - of EBS.

**Ms Ethna Tinney:** All I can say is that at this stage we all knew we were heading for the rocks so I wasn't hiving down to try and find out what-----

**Deputy Kieran O'Donnell:** When you say you all knew you were heading for the rocks, did the board know?

**Ms Ethna Tinney:** I think the board did know but we didn't admit it to ourselves.

**Deputy Kieran O'Donnell:** Did you discuss it at the board in terms of-----

**Ms Ethna Tinney:** There was a tremendous amount of anxiety at this stage. By the time I came back in April 2008 it was a very different scenario. We had a different board and there was an ex-banker on it. It was a very different board so there would have been a lot of discussion about what state are we actually in. In fact, we talked about little else a lot of the time and the whole retrenchment had already started that Fergus talks about.

**Deputy Kieran O'Donnell:** Did it come up at the board meetings that there would be a need for a Government State guarantee for the banks?

**Ms Ethna Tinney:** No.

**Deputy Kieran O'Donnell:** At all?

**Ms Ethna Tinney:** No, no, no. Whatever way the accounts were being put together and presented - no, we never thought that would happen or it would have to happen.

**Deputy Kieran O'Donnell:** You make reference to on the final page of your statement, you said, "But my sense, as a citizen of Ireland and as a director of EBS for nine years, is that there is a deeply unhealthy relationship between all four." And you are talking about Government, the Oireachtas, the banking sector and the property sector. Can you explain what you mean by that?

**Ms Ethna Tinney:** What I mean is the testimony that was given by our ex-Taoiseach, Brian Cowen, of attending dinners with Anglo, and multiply that out by a factor. That is what I mean. That is unhealthy.

**Deputy Kieran O'Donnell:** Was there similar type meetings with EBS?

**Ms Ethna Tinney:** I was never invited to one. That's all I can say.

**Deputy Kieran O'Donnell:** But do you know that such meetings took place?

**Ms Ethna Tinney:** No, I don't.

**Deputy Kieran O'Donnell:** Are you expressing an opinion without back-up evidence to

the effect that it happened?

**Ms Ethna Tinney:** Back-up evidence you can see in a situation where there is clear camaraderie between a banker in your own bank and a Minister who happens to be there for some reason like that. I tell you, I intuit it, Deputy. But I am not going to start saying what I saw, who with whom or whatever. But sometimes you see photographs in the papers, where you see one of your own senior managers out golfing with actually your leader An Taoiseach. That did happen. I saw a picture of our CEO golfing with Deputy Kenny and at the time I just thought, “Oh-oh”. It was on the front page of the *Sunday Independent*.

**Deputy Kieran O’Donnell:** Do you know what the circumstances were of that?

**Ms Ethna Tinney:** I have no idea. I just thought the optics were terrible.

**Deputy Kieran O’Donnell:** Do you believe that in your going forward what should be the structure in terms of corporate governance *vis-à-vis* financial institutions in dealing with the institutions of the State and politicians and Central Bank and various others, the Oireachtas and so forth? What is in your view the type of protocol that should be in place?

**Ms Ethna Tinney:** The protocol can only come from within the individuals who work in these various things. That is what I meant by saying the banks are of and for themselves. Can I put it like this - and this is the last colourful thing I will give you - it always seemed to me that the management in the bank and the non-executive directors were like cats and dogs. The managers were the cats and the unfortunate non-executive directors were the dogs. Natural enemies but the cats always outsmarted the dogs. You can look at that paradigm for anything whether it’s a regulator, a politician, a banker. The fact of the matter is if people want to misbehave there is no way you can stop them - no way - and that is what worries me about the current scenario. The only way you can change what is happening is if there is a change of sentiment and that’s why I said earlier on in answer to Deputy Higgins that, yes, I really do have a difficulty with the capitalist system and I have a difficulty with our political system because it depends on ... well, you say funding, yes? So I can’t say that I have a methodology for saving the world but I think we all need to think about what is happening, that’s all I can say.

**Deputy Kieran O’Donnell:** Thank you. Chairman.

**Chairman:** Thank you very much. Can I just deal with a few questions myself, Ms Tinney?

**Ms Ethna Tinney:** Yes.

**Chairman:** I will just bring the document up on the board there - it’s the board meeting re AIB/EBS merger and liquidity issues and discussed matters as well. In April 2011, Ms Tinney, when the Government decided to sell your society to AIB for €1, did you agree with this move and did you or the board put any alternative suggestions to the authorities?

**Ms Ethna Tinney:** We did because the society had been up for sale since the end of 2010 and there was quite shock and horror when we were suddenly directed through the Department of Finance that we were going to be enveloped by AIB, yes.

**Chairman:** Was there a sense of inevitability or could this have been an alternative approach, or maybe a clever idea could be put on the table or was it not being looked at?

**Ms Ethna Tinney:** My memory was that the board was shocked that the hard work that had been done to represent ourselves to various interested buyers, and there were about three apart

from AIB, that we actually weren't asked to in any way participate. We were simply told that this is what is going to happen.

**Chairman:** As part of that process, Ms Tinney, were retention bonuses paid to EBS staff as part of it?

**Ms Ethna Tinney:** I have no idea.

**Chairman:** You have no idea. Okay. Did you receive one?

**Ms Ethna Tinney:** No.

**Chairman:** Okay, thank you very much. I want to return to some questioning there that I had with Mr. Merriman this morning if you don't mind and if you were not privy to those meetings that's fine. I don't want you to be giving an opinion from a distance but if you have intimate knowledge of this information, it would be of assistance. So if I can just look at the first document - EBS's treasury proposal to increase limits for Irish banks. It's a November 2008 e-mail - it will come up on the screen there - and I am just wondering if you are familiar with this document?

**Ms Ethna Tinney:** Is that in one of the volumes?

**Chairman:** Yes.

**Ms Ethna Tinney:** Is it Vol. 3, because that's where Alan Merriman's main statement is.

**Chairman:** It should be on your screen now in one second. It is an e-mail to the board from Mr. Gerry Murray, it is the 17 November 2008 and it is a proposal to increase credit limits for Irish banks. This is post-guarantee, about a month or so after the guarantee, a month and a half.

**Ms Ethna Tinney:** So it is late 2008.

**Chairman:** It is in front of you there. There is a summary of it and maybe if I can just go to the second paragraph, it says:

These events will result in Irish Banks attempting to access the market for senior unsecured debt. Integral to the success of the debt offerings is support from the domestic market, i.e. [that] banks will need to purchase significant quantities of each others bonds. Consequently, [the] EBS Building Society will need to purchase debt issued by the other Irish institutions in order to get sufficient support to successfully issue-----

**Ms Ethna Tinney:** I've lost ... sorry.

**Chairman:** Have you got it? It's in book Vol. 2, page 107 if you're struggling with your monitor.

**Ms Ethna Tinney:** Yes, Vol. 2, 107.

**Chairman:** 107.

**Ms Ethna Tinney:** All right.

**Chairman:** Okay. You're better at the books, it would seem, Ms Tinney, than the screen. That's good.

**Ms Ethna Tinney:** I'm a bit short-sighted.

**Chairman:** I suffer from that myself.

**Ms Ethna Tinney:** I'm good with screens and technology but I'm short-sighted. So, this is from Gerry Murray, yes.

**Chairman:** Yes. Are you familiar with that? Were you ... was that e-mail or correspondence brought to your attention, was it?

**Ms Ethna Tinney:** I'm sure it would have been.

**Chairman:** Yes.

**Ms Ethna Tinney:** Proposal ... the subject: "Proposal to Increase Credit Limits for Irish [Banks]." I can't assume it ... you know, I don't recall it, but, you know, the documentation stretched to tens of thousands of pages.

**Chairman:** I'm sure it does.

**Ms Ethna Tinney:** Yes. So is there any particular thing that I can-----

**Chairman:** Yes, I just want to move on to another document there that's ... that I discussed with Mr. Merriman as well this morning. This will come up now in a moment. Basically, just to familiarise yourself with this, this was post the guarantee, it was where different Irish institutions would purchase bonds and short-term money off one another, create activity in the Irish market and there was ... and so on and so forth. But, in the next document here, yes, if I can move ... this one. Sorry, just this page here, page 105. It's the referenced document earlier. It's page 105 in your booklet, Ms Tinney.

**Ms Ethna Tinney:** All right. I have it.

**Chairman:** Okay. And this is the one here; here you go, yes. In that correspondence, if you look at the top of the page, it says:

Fidelma Clarke outlined the basis of two proposals in relation to Treasury limits and programmes arising from the implementation of the Government Guarantee Scheme. Papers had been circulated prior to the meeting.

And it talks about the counterparty limits then. These are the institutions that EBS would be engaging with and there would be about €200 million put into, kind of, operation as a result. To any institutions listed there, amongst AIB and Bank of Ireland, or Irish Life and Permanent, the Irish Nationwide Building Society and Anglo, was there any concern at board level with regard to Irish Nationwide, to your mind, or Anglo, with regard to the EBS actually engaging with them?

**Ms Ethna Tinney:** I'm actually surprised at this because, by 2008 and long before, early in 2008 ... wasn't it 2008 that the Anglo share collapsed, Patrick's Day?

**Chairman:** St. Patrick's Day.

**Ms Ethna Tinney:** Right. And ever since that, we would have been extremely leery of them and we also had developed a view, in more recent years ... I talked about, you know, INBS being held up as a model for us, you know?



**Chairman:** Yes.

**Ms Ethna Tinney:** But, in more recent years, we had again developed a view that what INBS was doing was possibly dangerous, which, of course, turned out to be absolutely the truth. So, I'm amazed, is all I can say, to see that we were, you know-----

**Chairman:** Okay.

**Ms Ethna Tinney:** -----putting any funds at risk in either of these institutions at all, at all, at all. Or maybe it was a question of them putting in funds in to us, which would have been a different thing.

**Chairman:** Okay. And on a related matter, prior to this, the NTMA were quite ... we have it here from testimony from NTMA witnesses - Mr. Somers, in particular - that they were not putting any money into Irish Nationwide Building Society whatsoever and they were not going to put money into Anglo unless there was a ministerial direction and order-----

**Ms Ethna Tinney:** Yes.

**Chairman:** -----signed by a Minister to do so, which ... and that was way back in 2007 those concerns were there.

**Ms Ethna Tinney:** Yes.

**Chairman:** Were you familiar or was the board familiar, with that the NTMA had concerns with regard to these institutions?

**Ms Ethna Tinney:** If they were published, yes, because I read with great and avid interest, even when I was off the board, what was going on.

**Chairman:** Sure.

**Ms Ethna Tinney:** So, I would have noticed anything like that, yes.

**Chairman:** Okay. Okay, and just while we're, kind of, at an observational level, in this period was there ... can you recall ... I'm not generalising, but specific concerns with regard to any co-operative business that you might be doing with those two institutions, Irish Nationwide Building Society and Anglo?

**Ms Ethna Tinney:** Just-----

**Chairman:** During that period-----

**Ms Ethna Tinney:** Yes.

**Chairman:** -----of the post-guarantee period-----

**Ms Ethna Tinney:** Yes.

**Chairman:** -----was there ... and the kind of matters I'm relating to now, would ... can you recall specific instances at board level where it was expressed that there would be concerns in regard to doing cross-transactions with either Irish Nationwide or Anglo?

**Ms Ethna Tinney:** I can't recall them but, as I say, you know, I'm amazed that we would still have been talking to them, yes.

**Chairman:** Okay, just finally, on the issue of - just one final thing - was any ... this is an entirely different, related matter, so just to allow you to get your head into that space. Was any consideration given to the fact that, during this period - this is the review plan from 2004 to 2008 now, this is - that a ... that other banks in the Irish market were also seeking double-digit growth? In your own documentation, it was shown that the bank was going to have double-digit growth in its plan for that period and was it possible that all the banks could achieve their target growth? In summary, what I'm asking, Ms Tinney, it's ... everybody had a plan to win the cup.

**Ms Ethna Tinney:** Yes.

**Chairman:** Only one team can actually win the cup but the policy seemed to be that everybody was going to win the cup at that time. Was there any concerns that, if everybody was to meet their target, and if EBS was to meet their target, was that actually achievable and what would the outcome of it actually be, if everybody was to grow so exponentially over a very short period of time?

**Ms Ethna Tinney:** I think the surprising answer to that is there was not and I think that that is one of the biggest surprises, at a macro level, that our board - and we had lots of bright people on it, you know - did not say, "Hey", you know, "how big is this market?" I think that there was a collective belief that the market would just keep on growing.

**Chairman:** Okay, thank you very much. Senator Sean Barrett.

**Senator Sean D. Barrett:** Thank you, Chairman, and welcome to Ms Tinney. On page 47 in Vol. 1, there is the ... their attempt to assess you-----

**Ms Ethna Tinney:** Oh yes, oh yes.

**Senator Sean D. Barrett:** -----as a member of the board. What on earth was that process? Can you enlighten us?

**Ms Ethna Tinney:** I'm just about to tell you.

**Senator Sean D. Barrett:** Good.

**Ms Ethna Tinney:** Because, in fact, this is the one thing that I do want to tell you. If you look at page 45 and page 47, they're actually identical, aren't they? They're a reproduction of nominations committee meetings that were held first on 24 January and then on Thursday, 8 February when they had decided to, you know, whatever, get rid of me. And the verbiage is this: "Ethna's performance as a Director has been formally independently adjudged to be well below average in the two formal board evaluations to date." Now, will you go back to page 43? And this adverts to January 2004, three years before. And if you look at the re-election of Ethna Tinney, you will see these words: "Brian Joyce, chairman of the Board, reported on the outcome of his discussion with Ethna Tinney following receipt of the individual director evaluation (based on the evaluation forms completed by the other 10 directors and collated by Jim Bruce)." So, the change in the verbiage is so significant, even though the two processes were exactly the same. In other words, in 2004, the minutes are accurate. Our evaluation consisted of being given a page and we had to fill in boxes, from one to five, of how we rated our colleagues under certain headings - attendance; punctuality; collegiality; business knowledge; you name it, it was in there - and of course the gas thing was, since you couldn't mark yourself, it was apparent long before it was collated by Jim Bruce, for anybody who wanted to study this

information, who was writing what about whom.

The other corollary was that since it was done, to that extent, anomaly, you know, anybody could write any figure they liked about anybody else. Now, I can accept that, provided you tell the truth, but fast-forward to 2007, to be well ... to be adjudged formally, independently adjudged to be well below average, that is simply a lie.

**Senator Sean D. Barrett:** They didn't have a management guru of some type?

**Ms Ethna Tinney:** No, no. No, we all marked each other. It was sent off to Jim Bruce and the results came back.

**Chairman:** All right, Deputy-----

**Senator Sean D. Barrett:** Yes.

**Chairman:** -----be measured now.

**Senator Sean D. Barrett:** Thank you. Now, could I go to Vol. 2, page 139, the bonuses that were paid. Were they passed by the board?

**Ms Ethna Tinney:** These extraordinary bonuses. So it's ... we're not in Vol. 1-----

**Senator Sean D. Barrett:** I think its Vol. 2, page 139.

**Ms Ethna Tinney:** Vol. 2, 139. Oh yes, I had a look at them in retrospect, you know. What I found ... no, no, these are quite familiar. They would certainly have been passed by the board or by the remuneration committee as a board and then presented to the board. The board didn't generally argue with the remuneration committee, but they are familiar. I think what's odd about them is the variability of them, in a sense. You know, why one year for Ted McGovern €448,000 of a bonus and then the next year €120,000 of a bonus? It's interesting, particularly since the business was grown exponentially as we've just discussed. So ... but yes, these are familiar.

**Senator Sean D. Barrett:** Well, they were paid based on the previous year's performance. Was there any discussion in 2008 not to pay them because you had gone into the red at that stage, in 2008?

**Ms Ethna Tinney:** Well, Ted McGovern had gone by 2008.

**Senator Sean D. Barrett:** I see. Well, no, other people, though, were paid. There was €464,000 in bonuses paid in 2008 in a year in which the society had gone into the red.

**Ms Ethna Tinney:** In ... and are you talking about the chief executive, Ted McGovern - 2004, €448,000?

**Senator Sean D. Barrett:** Yes ... no, the other people like Mr. Merriman and Ms Finann and Mr. Keenan, I think, and Johnson and Healy. That there was still ... the Merriman one was the biggest, but it still came to €464,000 being paid in bonuses-----

**Ms Ethna Tinney:** In which? Sorry, Senator-----

**Senator Sean D. Barrett:** By a society which was loss making at ... in that year.

**Ms Ethna Tinney:** In which year now are we talking about?

**Senator Sean D. Barrett:** They were paid in 2008.

**Ms Ethna Tinney:** Paid in 2008, yes, indeed. Yes, indeed. Right, okay. Yes, yes.

**Senator Sean D. Barrett:** Was there any discussion about holding them back, as the society had gone into the red?

**Ms Ethna Tinney:** No.

**Senator Sean D. Barrett:** And, the go for broke strategy that you described to Deputy Higgins, was there a certain irony intended given what happened the society? Obviously, it was very successful but I mean, what was the go for broke strategy?

**Ms Ethna Tinney:** The go for broke strategy was to try and emulate Irish Nationwide Building Society and turn in profits of €250 million per annum - paper profits, of course; they weren't true profits.

**Senator Sean D. Barrett:** And a certain sense of irony, presumably, in the title of the strategy?

**Ms Ethna Tinney:** Well, that's just my way of putting things.

**Senator Sean D. Barrett:** Yes. Well, I think they used that term also.

**Ms Ethna Tinney:** Do they actually? Yes.

**Senator Sean D. Barrett:** Yes. The auditors: did they express any disquiet at the way the society was going over the years in which you were director?

**Ms Ethna Tinney:** No, and that was a big surprise.

**Senator Sean D. Barrett:** Was there ever any meetings of the non-executive directors held in the absence of management?

**Ms Ethna Tinney:** Yes, there were. That was not that unusual, yes.

**Senator Sean D. Barrett:** Because in your presentation you were hinting there was a very strong managerial dominance of the board. When the board escaped from that, could you tell us about those meetings?

**Ms Ethna Tinney:** Generally, those meetings occurred within a board meeting. So the actual length of time that the non-executives had together was limited. I would also make the point that, although the executive directors withdrew, the chairman remained. So in terms of a conversation that could become uncomfortable, let's say, in terms of making a genuine, kind of, investigation between the non-execs into what they felt was going on and whether it was excessive or whatever, was impeded by the chairman.

**Senator Sean D. Barrett:** Is there a way around that? Should there be a troika?

**Ms Ethna Tinney:** I think it's a very interesting question because it has always struck me that - and this is not just EBS; it happens all the time in firms, in businesses, not just banks - that one of the things that a chief executive will try to do is to establish a very close relationship with his chairman, or her chairman, and the purpose of that is to control the board. And, therefore, I do think it's a fundamental weakness in business that there is this intimacy between a chairman

and a chief executive. And you can see very clearly from the documents in Vol. 1 about you know, the arguments between Ron Bolger, Cathal McGee and Brian Joyce, that Brian expresses his belief that there is no other way of working than, you know, close liaison with the chief executive officer. But it does weaken the ability of non-executives to influence the board.

**Senator Sean D. Barrett:** And the conduct of the meeting where ... the AGM, where you're running for election and the other board members, I presume, employed a PR company against you. I think that was ... was that December 2007? The ... Q4 PR were used to assemble information against you. Could you describe that as an event for the committee, please?

**Ms Ethna Tinney:** What I think, Senator, your inquiring, is about the period between when I refused to walk, fold up my tent and the actual AGM in April 2007, and articles start appearing in the papers and goodness knows what. In a way, that process ... it passed me by, in a way, it just made me more determined to fight back and try and get into the public arena my point of view, which I managed to do, mainly thanks to one individual. And it didn't bother me, Senator; you know, I expected this.

**Senator Sean D. Barrett:** Now ... the ... was there a sign in February 2009 - and this is book 1, pages 109-111 - of even at that late stage the board realising that things were going astray; that there seemed to be a wish at board to distance itself from the commercial exposures and non-member business?

**Ms Ethna Tinney:** Absolutely. Yes.

**Senator Sean D. Barrett:** Yes. But ... and, could you tell us about that? Because that was trying to get back to its roots almost in the society and I suppose the corollary is: was it too little too late at that stage?

**Ms Ethna Tinney:** Absolutely. Yes. So from having gone in to full blast mode, go for broke mode, it was suddenly whack on the reverse engines. And to that extent, and I didn't actually agree with this, both the CEO of Haven, Tony Moroney, and our chief, our chief finance officer, Alan Merriman, were dispensed with. Yes.

**Senator Sean D. Barrett:** And you didn't agree with that?

**Ms Ethna Tinney:** I did not agree with it, no.

**Senator Sean D. Barrett:** Could you tell us why?

**Ms Ethna Tinney:** I ... as far as the second named is concerned, I felt he was very bright, I felt that he knew the innards of the society extremely well, and I felt we needed his abilities.

**Senator Sean D. Barrett:** Finally, the 2007 offer from AIB - can you remember what price they put on that?

**Ms Ethna Tinney:** I don't, and ... but what I do remember-----

**Chairman:** Your last question, Senator, please.

**Senator Sean D. Barrett:** That is my last one, thank you, Chairman.

**Ms Ethna Tinney:** Yes, I can't remember the figure-----

**Senator Sean D. Barrett:** Yes.

**Ms Ethna Tinney:** But I remember thinking it was inadequate.

**Senator Sean D. Barrett:** Yes. But it was greater than €1, which was what they eventually got it for.

**Ms Ethna Tinney:** But maybe at the time I thought we were worth more.

**Senator Sean D. Barrett:** Yes, thank you.

**Chairman:** Okay, thank you very much. Deputy Pearse Doherty. Deputy, ten minutes.

**Deputy Pearse Doherty:** Go raibh maith agat a Chathaoirligh, agus fáilte chuig an coiste. If we look at the board minutes of July 2005, which is on book 1, page 126. The question that arises from them for me is: were you away of the extent of the tracker mortgage interest rate risk? And, in EBS, was that ever discussed at board level? This is where the minutes show that the increase on tracker mortgages would account for an increase in proportion of business rising from 5%-----

**Ms Ethna Tinney:** Five per cent to 60%.

**Deputy Pearse Doherty:** -----in July 2005 up to 60% three years later in 2008.

**Ms Ethna Tinney:** My sense is that in 2005 there was still a tremendous, sort of, feelgood that everything was going to be the best of all things possible. And the volumes of tracker mortgages that, therefore, that we were attracting blinded us to the dangers of what would happen in terms of depressing the margin and so on and the final outcome, which meant that once again, we can't afford the tracker mortgages - well, not me, because I'm not involved anymore. But the standard variable rate is now actually shoring up the trackers, which is most unfair on the people on the standard variable rate. No, it is surprising that it didn't strike any of the good brains on the board that this was actually dangerous.

**Deputy Pearse Doherty:** But the minutes of the meeting in 2005 go on to say, "This will push mortgage margins down." by increasing your tracker business from 5% to 60% of mortgages. Given that it's-----

**Ms Ethna Tinney:** So that-----

**Deputy Pearse Doherty:** -----acknowledged at that time, what was the discussion? Is that-----

**Ms Ethna Tinney:** The push was to, "Let's go to the brokers. Let's establish a brokerage. Let's establish, maybe, sub-prime." You know, it all fed into the idea of volume, volume, volume - never mind the quality, feel the width.

**Deputy Pearse Doherty:** But was there any discussion on risks in relation to this? There's an acknowledgement here - on the minutes - of risk but was there any discussion at board level of the risk? Was it just, "Let's increase by [I don't know how many] hundred per cent ... or from 5% to 6% over three years and this will push margins down"? Was there a ... from your recollection, did anybody say, "Well, what does that mean for our institution if we rely on 60% of tracker mortgages?" Was there-----

**Ms Ethna Tinney:** I'd need to just read that page carefully because, you know, I mentioned the whole thing about minutes before-----

**Deputy Pearse Doherty:** Yes.

**Ms Ethna Tinney:** -----and one of the things I learnt over the years that I was on the board ... I was surprised sometimes when there would be a robust conversation about, say, something like this, that it's not referred to in the minutes. And I learnt, late in the day, that if you want something minuted specifically, you have to request it. If you do not ... supposing I say, "Well, I, Ethna Tinney, do not agree with this tracker thing"-----

**Deputy Pearse Doherty:** Yes.

**Ms Ethna Tinney:** -----I have to say, "I want that minuted."

**Deputy Pearse Doherty:** Yes.

**Ms Ethna Tinney:** Whereas if I don't say that, there's no mention of the fact that not all the members were in agreement. Whatever the decision was is what's minuted. And, clearly, the decision was to go along the lines of the inputs presentation.

**Deputy Pearse Doherty:** Like, it appears to me that it's a ... quite an important decision to increase your proportion of business on trackers from 5% to 60% in a period of 36 months. In your view, can you recall whether you expressed a view? And I'm not just concerned in relation to your own personal view. Could you give us an insight, if any, as to what the board ... did they just note it and move on or was there ... do you think that there was a discussion? If you can't recall, obviously we'll just ... we can move on.

**Ms Ethna Tinney:** Yes. I don't have a recollection, I really don't, but what I can say was there was nobody jumping up and down-----

**Deputy Pearse Doherty:** Okay.

**Ms Ethna Tinney:** -----because I would have remembered that.

**Deputy Pearse Doherty:** Okay. Ms Tinney, you say in your statement on page 1, you say, "Mortgage applicants' declared incomes were sometimes well in excess of reality".

**Ms Ethna Tinney:** Yes.

**Deputy Pearse Doherty:** Can you explain to the committee ... what do you mean by this?

**Ms Ethna Tinney:** What I mean was that the prudential regulations that had applied when, say, I wanted a mortgage, and the kind of documentation that I would have to provide was no longer required, so, therefore, just as in the example that the Chairman brought up earlier on about ... about ... or, no, somebody else - it was during Mr. Merriman's testimony - about the Financial Regulator in ... one of his inspectors finding out that there wasn't basic documentation at all for, you know ... and this started to happen on a wholesale basis, not just with EBS but with the other banks. So, in other words, "You say your income is 48 grand, that's okay. Yes, we'll accept ... show us a P60 or a ... [more likely] just a slip of your ... of your ... of your income but we'll take it on faith that you're actually earning this extra money that you say that you are." Yes.

**Deputy Pearse Doherty:** But was it known to EBS that the declared incomes at the time were well in ... as you say, well in excess of reality?

**Ms Ethna Tinney:** Yes, it was. And the reason that we did it ... not that anybody would

have ever verbalised that, but the reasons that we did it was that if ... if we actually said, “Look, show me your money”, that the person wouldn’t qualify for a mortgage for whatever house he or she wanted to buy and that, therefore, you know, our business would be, once again, eroded. In other words, because of the fuel that was burning, the house boom and the bubble, as it turned out to be, there was acquiescence all round. There was collusion, if you like. Yes, unspoken collusion that we wanted to assist people to have homes. So we’re not going to ask too many hard questions.

**Deputy Pearse Doherty:** And when the same institution is now looking for recoupment of arrears or repossession of the homes-----

**Ms Ethna Tinney:** Yes.

**Deputy Pearse Doherty:** -----or voluntary surrender-----

**Ms Ethna Tinney:** Yes.

**Deputy Pearse Doherty:** -----by somebody who may have provided documentation that, as you say, the institution was aware that it was in excess of reality, how do you feel about that?

**Ms Ethna Tinney:** Well, I feel that it’s all wrong. I feel that what’s happening is all wrong and I feel that the balance of blame rests with the bankers, including myself, rather than the people who looked for mortgages.

**Deputy Pearse Doherty:** Okay. You say in your statement in relation to developer loans, on page 5, and I quote, you say:

The rationale was that if EBS did not facilitate the “developer” another bank would and we [simply] would ... be losing out [of] business. All these proposals seemed fail-safe.

**Ms Ethna Tinney:** Yes.

**Deputy Pearse Doherty:** Can you explain to the committee, were developer loans granted because they were seen as fail-safe? Was it because of competition from other banks or was there another reason or was it a combination of both factors?

**Ms Ethna Tinney:** Oh, I’d say that ... I would say that the ... in general, my sense would have been that there was ... the proposals were believed in and that’s why I use the expression, “taken in by”, right? That’s important. I say ... I believe that we were all taken in by these so-called developers, you know. And they had quite different agendas from what we thought they had, you know. So I think it was-----

**Deputy Pearse Doherty:** What do you mean by that? Just if you can ... what was the ... the agenda, I presume, is that they wanted money.

**Ms Ethna Tinney:** To put it very, very bluntly, that they perhaps didn’t have ... particularly as the bubble grew to bursting point and these clever people were always ahead of the posse, that they had no intention of applying the funds to what they stated in their application, right, okay?

**Deputy Pearse Doherty:** Okay.

**Ms Ethna Tinney:** And I’m going to say no more than that. But in terms of the staff of EBS, I have no doubt that everything they did was done in good faith. It was ... the problem



was there was just far too much pressure - do business, do business, do business.

**Deputy Pearse Doherty:** And that was coming from?

**Ms Ethna Tinney:** Senior management all the way down. It's always ... the buck stops always with the boss.

**Deputy Pearse Doherty:** Okay. What was the guiding reason with regard to your own role in the credit committee? What were the factors that led you to decide to green light some of these developer loan applications?

**Ms Ethna Tinney:** Because they were always presented so well. They all made sense. I think Alan refers to that in his document, that, you know, it seemed perfectly okay in that ... in that exponential growth to accept proposals that were based on land values that were, you know ... that the money we were giving were ... was 60% of what the valuers were saying it was worth. But then, I think that we possibly were naive about the relationship between the developers, the builders and the valuers and the various other advisers, because everybody stood to gain if we said, "Yes", and handed over the money, yes.

**Deputy Pearse Doherty:** You mention in your statement in relation to these ... these loans as well that-----

**Chairman:** Be wrapping up this now, Deputy.

**Deputy Pearse Doherty:** Yes, just two questions on this here ... that the developers backed up their claim with a personal guarantee.

**Ms Ethna Tinney:** Yes.

**Deputy Pearse Doherty:** Can you explain to the committee, and to anybody that may be watching, what is a personal guarantee and what was the type of documentation that a developer would provide EBS in terms of a guarantee? And one final wee supplementary, because the Chair will cut me off, you also mention that you - through e-mail - rejected some of the loan applications. Can you inform the committee was there ... was there ever or were there many of the loan applications rejected by the committee, not just by individual members?

**Ms Ethna Tinney:** No. It was never alluded to and my sense would have been that 99% of them were acquiesced to. To your earlier question about, you know, when is a personal guarantee not a personal guarantee? Well, look, I ask you this question: how come all these bankrupt developers are rolling in money? They all gave personal guarantees, not just to us but to other banks. The banks didn't get money back, but they still have loads and loads of money. Now, riddle me that. I don't understand it. I never saw the legal documentation on which these proposals were founded. What I do know is that because the answers had to be made so fast was that ... I have absolutely no doubt that the proper lien was not perfected on many of these agreements.

**Deputy Pearse Doherty:** Okay, thank you.

**Chairman:** Thank you, Ms Tinney. Deputy Michael McGrath.

**Deputy Michael McGrath:** Thank you very much, Chair. Ms Tinney, good afternoon. Can I, first of all, take you to Vol. 2, page 105, please, and it relates to the board deciding to increase the counterparty credit limits for the other Irish banks to €200 million? So this was in

November of 2008.

**Ms Ethna Tinney:** Sorry, could you just give me the page number again?

**Deputy Michael McGrath:** Sure, yes. Page 105-----

**Ms Ethna Tinney:** 105.

**Deputy Michael McGrath:** -----of Vol. 2.

**Ms Ethna Tinney:** Is this the one we discussed before?

**Deputy Michael McGrath:** Yes. And there's some more information on the following pages, 107-111. So essentially this was a decision by the board to increase the lending lines to the other covered banks and it's in the aftermath of the Government decision on the bank guarantee. And it seems to be to facilitate lending to each other, as such, you could buy bonds back and forth. So to what extent in your opinion did the board consider at this time that it was appropriate to, in a sense, pull on the green jersey and invest in such assets from other banks? What was the thinking behind it?

**Ms Ethna Tinney:** Well, that clarifies why I was struggling with the Chairman about how these things were getting written at all. Obviously, the fact that the Government had decided to guarantee every smidgen of money that was in all the banks gave us the courage, you know, to do this, to change our view of what was safe.

**Deputy Michael McGrath:** Okay. Can I take you to, just on page 2 of your statement so on the system - it's 004, if that could be opened? It's under the heading of the "Adequacy of board oversight over internal controls, managed and monitored". And you refer to an instance where an employee in the treasury department of EBS had illicitly engaged in proprietary trading, strictly against the rules of the society. And at the end of that paragraph you refer to EBS sustaining a significant loss. Can you recall what the loss was from that event?

**Ms Ethna Tinney:** €1.2 million. Yes, it was €1.2 million.

**Deputy Michael McGrath:** Okay, and can you just explain what happened? What do you mean by "illicitly engaged in proprietary trading"? Can you just tell us what that is?

**Ms Ethna Tinney:** Well, under the rules of building society it is not permitted to trade your own money, or rather your depositors' money. In other words, you can't take a gamble. You can't decide you're going to take a gamble on currency or anything else or stocks and shares. And this particular individual did that. Now, as I said in my statement, it was supposed to be impossible because of the checks that went on. But it wasn't impossible and he did it. And he was a very smart guy and he wasn't doing it for himself. So it's hard to understand why he actually took the risk. Now, two of his colleagues knew what he had done but he managed to hide it for two years. And eventually they couldn't stick the notion that this was going on any more. He persuaded them that if he was given time, his position would come right and all would be well. So after two years they told his boss and that's how it came out. And one of the interesting things is, as well, that our auditors never spotted the hole in treasury.

**Deputy Michael McGrath:** And did it go to board level then?

**Ms Ethna Tinney:** Oh, well, of course, there was consternation. There was absolute consternation.

NEXUS PHASE

**Deputy Michael McGrath:** Okay. And the loss to the society was €1.2 million?

**Ms Ethna Tinney:** Yes, it was either €2.1 million or €1.2 million but I believe it was €1.2 million.

**Deputy Michael McGrath:** And what were the repercussions from that episode? What happened?

**Ms Ethna Tinney:** Nothing.

**Deputy Michael McGrath:** Nothing?

**Ms Ethna Tinney:** Nothing.

**Deputy Michael McGrath:** €1.2 million lost by-----

**Ms Ethna Tinney:** Yes. Let's just say-----

**Deputy Michael McGrath:** -----illicit trading against the rules of the society and nothing happened?

**Ms Ethna Tinney:** No. Exactly. I'm sure there must have been discussion in treasury about how they could tighten up the controls so this would not happen again and about where was the hole in the controls that permitted this to happen, when we had that boardroom discussion precisely about, you know, could this happen? And this individual standing there smiling.

**Deputy Michael McGrath:** And was the individual sanctioned?

**Ms Ethna Tinney:** No.

**Deputy Michael McGrath:** And how was that acceptable to the board?

**Ms Ethna Tinney:** Well, I queried it very strongly, as you can imagine since I still remember it, and I was told by the CEO it was better for the reputation of the society if he was ... if it was all brushed under the carpet.

**Deputy Michael McGrath:** Okay. And just to clarify the nature of what happened, it was trading, essentially, the deposit book or part of the deposit book was traded on, on some financial instruments?

**Ms Ethna Tinney:** The funds of the society, exactly, yes. I don't even know-----

**Deputy Michael McGrath:** You don't know the detail?

**Ms Ethna Tinney:** We weren't told precisely what he did, we were just told-----

**Deputy Michael McGrath:** Okay. And was it a breach of regulatory rules as well as a breach of the building society rules?

**Ms Ethna Tinney:** Probably not. I mean, banks engage in all kinds of gambling, you know, within the law. But it is strictly prohibited, for obvious reasons, in building societies.

**Deputy Michael McGrath:** Okay, and are you saying that ... prohibited by internal rules? Or was it ever enshrined in regulations?

**Ms Ethna Tinney:** By building society legislations, actually legislation, yes, going back a long time.

**Deputy Michael McGrath:** Well then surely it was a matter that must have been reported to the regulatory authorities. If it was a breach of legislation then the Central Bank and regulator would have been responsible for dealing with that, surely.

**Ms Ethna Tinney:** Well, I can't tell you because all I can tell you is that nothing happened. Except, much later in the day, you know - when this individual was still working for us - and it was proposed that he would be given a position of trust over something. And this was when the new board had, you know, arrived, it would have been about 2009 maybe. And I specifically said, "No", and told the board the story about what had happened and that was accepted.

**Deputy Michael McGrath:** Okay. Chairman I think we might examine the board minutes as a committee around that time to see how the issue was being addressed. We'll deal with that separately. Ms. Tinney, you wrote to the members of the society directly in March 2007. That was a time when the board was trying to remove you, as such. Was that the first time that you wrote directly to the members?

**Ms Ethna Tinney:** Of course.

**Deputy Michael McGrath:** It was.

**Ms Ethna Tinney:** There's 420,000 of them so it was a very expensive exercise really, yes.

**Deputy Michael McGrath:** So how did you do it? It was by post?

**Ms Ethna Tinney:** Oh, EBS had to do it, I just ... Yes, they did it by post. Yes.

**Deputy Michael McGrath:** And they paid for it?

**Ms Ethna Tinney:** Well, I forced them to.

**Deputy Michael McGrath:** Right. And, okay, given that, you know, that was such a-----

**Ms Ethna Tinney:** Sorry, could I just say-----

**Deputy Michael McGrath:** Please.

**Ms Ethna Tinney:** Could I just say what was going on in the media gave me leverage and the stuff that I was queried about, about Q4, what was going on, gave me leverage to force the board to do this because otherwise, I was going to look for satisfaction some other way. Yes.

**Deputy Michael McGrath:** Okay. So you raised three specific issues in your letter to the members about the 2003-04 efforts to pursue a deal with Rabobank, that's who you were referring to-----

**Ms Ethna Tinney:** Yes.

**Deputy Michael McGrath:** -----the issue of nominating non-executive directors and the transfer of funds into senior managers' pension fund. So those were the three issues that you raised. But you didn't raise any issues or concerns about the strategy, the commercial strategy of the building society at the time and the rapidly growing loan book in terms of commercial property, the land and development book. You didn't raise any issues about that or the issue of

the growing dependence on wholesale funding, for example, as opposed to deposits. So can you just elaborate on that, given that you were undertaking a major exercise writing to all the members directly? If you had these grave concerns about the direction of the society and its strategy, why didn't you take that opportunity to set those out to the members directly?

**Ms Ethna Tinney:** Because I think I felt, at the time, I spent a lot of time thinking about what I would say to them. If you want to gain people's attention, you've got to tell them a story. If I had written in vague terms about my anxieties about funding, about the size of mortgages and all that kind of thing, I didn't think I'd gain any traction whatsoever. What I wanted to say was, "This is what I've done and this is what's happened to me as a result. Therefore, all is not well in EBS". And that's why I chose to do it anecdotally, rather than as a dissertation on the state of EBS.

**Deputy Michael McGrath:** And do you regret now not bringing to the attention of members your views, your concerns, about the strategy of the building society?

**Ms Ethna Tinney:** No, I don't, not in the slightest. Because the outcome would have been worse for me. Yes. Most of the members wouldn't have even noticed, to be honest, if they got a weird letter from a member of the board saying, "I'm worried about EBS."

**Deputy Michael McGrath:** Okay. And generally, like, was your dissent noted? You spoke earlier on about the need to have, you know, dissent formally recorded in the minutes. Like, did you dissent on board strategy, for example? I mean, for example, we have the commercial business plan 2005-08 which does ... asked the question of the board, do you agree with ramping up the risk appetite. I mean, did you agree with the strategy that was ultimately adopted?

**Ms Ethna Tinney:** My overall sense, and I've said this already, was that everything was moving too fast in a direction that was completely at odds with what, A, we were established to do and, B, that we had the competence to do. In terms of trying to stop this juggernaut, quite honestly, it was beyond me.

**Deputy Michael McGrath:** But sure what was the point in being on the board then? You know, if it was a *fait accompli* and you couldn't influence the direction?

**Ms Ethna Tinney:** But I was trying. I was trying all the time, what more could I do?

**Deputy Michael McGrath:** So did you dissent, for example, on that commercial strategy?

**Ms Ethna Tinney:** I don't remember specifically. I'm not going to claim I did this, that or the other. What I can tell you that will just make it apparent to you what the situation was, was that, you know, it came to a stage where most of the members of the board wouldn't actually talk to me.

**Deputy Michael McGrath:** Okay. Very finally, you spoke about the credit committee. You were on that from mid-2005 to April '07?

**Ms Ethna Tinney:** Yes.

**Deputy Michael McGrath:** So almost two years. And did you say earlier on that your recollection is it met once in about 18 months?

**Ms Ethna Tinney:** Yes. Once where I attended. Only once where I attended. There might have been other meetings that I didn't attend or wasn't informed about ... wasn't informed about

because ... because of, as we have discussed, the rapidity of which these decisions had to be made and because I was living down in Limerick, you know. There could have been meetings and-----

**Deputy Michael McGrath:** But sure surely you couldn't have a situation were a member of the committee wasn't even told the committee was meeting.

**Ms Ethna Tinney:** I'm not saying that there was; I'm just saying that I don't know. But I only recall one meeting.

**Deputy Michael McGrath:** Okay. So were there other meetings that you were notified of - but ... but you didn't attend - of the credit committee?

**Ms Ethna Tinney:** No, absolutely not.

**Deputy Michael McGrath:** Okay. So you were informed of one credit committee meeting in a period of 22 months-----

**Ms Ethna Tinney:** Yes, that's my recollection.

**Deputy Michael McGrath:** -----at a time when the society was lending millions of euro-----

**Ms Ethna Tinney:** Yes, tens and tens and tens of millions of euro.

**Deputy Michael McGrath:** -----in commercial property land development? Absolutely. Thank you.

**Chairman:** Thank you, Deputy McGrath. I'm going to move please to a wrap-up. Do you have anything else to offer, Deputy Higgins?

**Deputy Joe Higgins:** No further questions, thank you. Thank you.

**Chairman:** Okay. With that said, I'm going to bring matters to a conclusion. Ms Tinney, I can invite you to make any closing remarks if you wish. The ... in doing so with Mr. Merriman earlier this morning, I just, kind of, revisited the sort of journey of the EBS where it started out as an institution that could help a particular type of civil servant buy a house and ended up in maybe a different space at the end of its journey. Do you've anything that you'd like to say by final ... matters of closing remarks?

**Ms Ethna Tinney:** No. I'll say that my whole experience with EBS, taken *in toto*, was in some ways very bruising but it was certainly very educational. And I don't regret a minute of it.

**Chairman:** Thank you, Ms Tinney. With that said, I'd like to thank you for your participation today with the committee and for your engagement with the inquiry. You're now formally excused. Just to say to members, if there's any other matters relating to what we discussed in private business this evening, I probably might take before we come back before the next public session. But I don't have enough data as such yet, okay. So, with that said, I now propose that we suspend for one hour and return at 3 p.m. Is that agreed? Okay.

*Sitting suspended at 2.03 p.m. and resumed at 3.18 p.m.*