Tithe an Oireachtais
Houses of the Oireachtas

Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

Kieran Bennett

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[1] *See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013*

DOCUMENT 1

		Line of Inquiry*	Questions
1	**B1d**	**Adequacy of board oversight over internal controls to ensure risk is properly identified, managed and monitored**	The Promontory/Mazar Report dated Jan 2011 states that 1 of 4 key weaknesses evident in AIB was; "the absence of an adequately resourced but, more particularly, independent Risk function" As CCO did you ever raise issues or concerns over the position or independence of the Risk function within the Senior Management structure? **I was appointed Group Chief Credit Officer ('GCCO') designate in Q4 2006 with a view to shadowing the incumbent GCCO until his retirement in February 2007.** **On assuming the role of GCCO in Q1 2007, the credit organisation was structured in a manner which meant that divisional culture was the key driver in the overall management of credit in AIB. This was evidenced by the following factors:** **The GCCO was not a member of the Group Executive Committee ('GEC') and was only an attendee, rather than a full member of the Risk Management Committee ('RMC').** **The divisional Chief Credit Officers reported to the divisional business heads and accordingly were part of the divisional appraisal and remuneration process.** **The divisional credit committees were chaired by the divisional CCO's who as mentioned reported to the divisional heads rather than the GCCO.** **This structure must be looked at in the context of the prevailing strategy of AIB at that time which was centred on earnings growth. The prevailing thesis was that the independence of the Bank would be assured by high earnings growth, reflected in a buoyant stock market valuation. The vehicle for earnings growth was asset growth and mainly property asset growth. The AIB Group plan for 2007 approved by the Board in January 2007 was for profit growth of 12% and asset growth of 16%.** **Property growth was to an extent reversed engineered from the budgetary process. Growth targets were set in the normal way and ultimately approved at Board level and the challenge then was to achieve these budgets . In the years up to 2007 in particular, a very significant element of the profit growth came or was identified to come from property led asset growth.** **Accordingly, it is also appropriate to understand the relative power of the Risk function in the face of the business growth strategy and demands.** **This lack of power at the centre meant that when the main driver was growth, the fundamentals of credit oversight and control were much weakened.** **Risk had a subordinate role at the top table (Promontory/Mazars)**

			This was a constant issue of concern to me which I raised on a continuous basis with my line boss – Chief Risk Officer (who was on the GEC and RMC) and reported directly to the Audit Committee. **It is equally accurate to contend that the Credit Risk function was under resourced. It was ironic that it was almost impossible to get skilled internal resources released from the business due to growth demands. So with ever increasing numbers of cases coming forward to the Group Credit Committee the resources remained static. Indeed throughout 2007, as the Basle 2 application was being prepared, it was mainly Group Risk resources which were diverted to this major project.** **Again, the organisational response was to suck it up and get on with it.**
2			**Concentration Risk** Did you have concerns over the increasing concentration of the Loan portfolio in the property and construction sectors and if so, did you discuss those concerns with any member of senior management or any other Directors? **Very shortly after I assumed the role of GCCO I presented a paper to the GEC in March 2007 and to the Board in April 2007 entitled ' Property Portfolio Management Framework'** **The key issues contained in the report were;** **Property lending is large and rapidly growing** **AIB is considerably overweight in property relative to its peers, particularly International peers.** **There is a notable exposure to land acquisition, driven by RoI division.** **AIB was operating outside the sector concentration limits stipulated by FR/CBI** **Concern was beginning to be expressed by the Rating Agencies in relation to AIBs property concentration.** **Property concentration stood at 33% of total advances as at December 2006 and was forecast to increase to 37% by December 2007 and to 40% by 2008, highlighting a large and growing risk of concentration.** **AIB's credit management information and stress test systems were poor and required considerable investment.** **Stress loss limits were approved, but in reality AIB did not have the systems to properly monitor and control such limits. Furthermore, attention was diverted to achieving Basle 2 accreditation.** **Notwithstanding the above, the general feeling at GEC and Board was that AIB should continue to pursue suitable lending opportunities in the property sector, i.e. AIB did not reduce its property appetite at this time. AIB's ability to reduce its property exposure in late 2007/2008 evaporated as market**

			liquidity disappeared. **In addition, the RMC, Audit Committee and Board received a detailed monthly, quarterly, half yearly and yearly report from Group Credit Risk.** **Contained within this report was an extensive section on key credit concentrations, in particular property, building and construction.** **The Board would have received such reports for the entire period under review by the Banking Inquiry.** **The report was presented in person or a senior member of my team during my tenure and as part of this discussion the concerns around property concentration were raised.**
3	**B2b**	**Appropriateness of credit policies, delegated authorities and exception management**	**<u>Loans Outside Lending Policy</u>** **The first thing to note is that AIB had relatively few formal group lending policies. Rather, it relied on best practices and guidelines to inform credit decisions. Such best practices and guidelines were at divisional level and varied between divisions.** **The Board determines the credit authority for the Group Credit Committee and the divisional credit committees, together with the authorities of the Group Chief Executive and the GCCO. The only Group credit policies which existed and which were approved by the Board were:** **Group Large Exposure Policy ('GLEP')** **Country Exposure Policy** **Bank Exposure Policy** **Divisional Credit Authorities** **RoI Residential Mortgage Policy** **The GLEP was intended to limit the maximum size of individual exposure to €255m for Grade 1 exposures with lower thresholds for borrowers of lower credit grade.** **In practice, the GLEP was more of an escalation mechanism for approval of exceptions beyond this amount:** **Up to €500m (GCC)** **€500m - €750m (Group CEO)** ➢ **€750m (Board)** **These thresholds were increased significantly in October 2006. Prior to that, any exposure €250m had to be approved by the Board.** **Where an exposure was in excess of its relevant threshold, such a breach would be escalated and the relevant approval sought for said breach. This was almost always granted.**

Notwithstanding the approval of a breach of the GLEP by the relevant authority, it nonetheless remained a breach of policy.

a. Were you aware of the extent to which your bank issued loans that were outside the stated lending policy?

Accordingly, there was full transparency in relation to loans which were issued in breach of the GLEP.

b. Did you have any concerns about the volume of loans that were issued outside the stated underwriting policy?

There was no clearly defined risk appetite or hard limits at Group level which could have set limits/tolerances around:

Property sector in general and

Higher risk segments of property such as land

Limits set in the GLEP were essentially soft rather than hard in that breaches were almost always sanctioned.

As a result, this allowed for almost unfettered growth in property. Such growth, as recorded previously, was a source of major concern

c. If you had concerns about the loans issued that were outside lending policy, how often were these concerns raised, in what format were they communicated, what details were communicated and to who?

When I assumed the role of GCCO in early 2007, lending to property stood at €35bn (as at December 2006) having increased by 340% since December 2002. This represented 33% of total advances and was growing rapidly. As a result of the momentum built up from loans sanctioned in 2006 and early 2007, the exposure to property grew to €46bn by December 2007 or 36% of total advances.

In the absence of a Board approved Risk appetite, to stem the growth during 2007, I ensured that deal standards were tightened significantly through the working and oversight of the GCC, removing previously allowed practices such as:

100% finance
Interest rollup for land acquisition
Equity release on zoning or planning gains
Equity releases on inflated valuations.

Also at this point there was a very tight non property lending strategy for particular sectors:

Hotels
Mortgages
Covenant lite transactions
Highly leveraged transactions

Reporting to the RMC and Board was also significantly enhanced in terms of quality of information provided.

			The net result of this management action was a minimal 3% growth in property to year end December 2008 to €47.9bn and nil growth in property lending in 2009 to €48bn as at December 2009. a. If reports were issued or concerns raised, how were they received by management and what action was taken? **The enhanced reporting to RMC and Board was very well received. However, the nature and format of reporting evolved and changed very rapidly throughout 2007 and 2008 (and 2009/2010)** **In late 2007 general concern about the property market began to emerge and exposure to residential development in particular.** **The Board received two specific reports in late 2007:** **Market events with a focus on residential development in RoI (06/09/2007)** **Update on Property, Building and Construction (05/12/2007)** **As concerns escalated in 2008, in addition to the regular monthly/quarterly reports, the Board was presented with specific reports on residential development exposure, RoI division on 14/02/2008, 23/04/2008, 24/07/2008.** **In the second half of 2008 the focus had now changed materially to:** **The management of credit in a difficult and worsening environment.** **The adequacy of provisions and the process for determining provisions.** b. Did you feel that you were kept fully informed about these issues, the actions taken to address them and the final conclusion? **Yes, as GCCO I ensured that I was well informed on all material credit issues. Moreover, the Board expected that the GCCO would be front and centre in reporting all material credit issues.** **However, it is important to reiterate that having assumed the role in early 2007, there was a momentum of both credit sanctions and a pipeline of opportunities and also an organisational expectation that there would be strong credit growth in 2007.** **2007 was also dominated by the Basle 2 application.** **By late 2007/early 2008 the environment began to change rapidly and most of 2008 and 2009 (I left the role of GCCO in February 2010) was dominated by attempting to determine the adequate level of provisions and reporting to Audit Committee, Board and other stakeholders.** **As early as H1 2008, the deteriorating credit environment impacted on the loan portfolios significantly resulting in a 38% increase in impaired loans.** **This indicates how rapidly the market deteriorated from the relatively benign environment of 2007.**

4			<u>Loans Outside Lending Policy</u> In your opinion was there sufficient evaluation of the credit risk and policy monitoring by the Credit Committee independent of the commercial bankers. **Yes, Credit Committees at Group and level were extremely diligent in evaluating and assessing individual transactions / cases which were presented.** **The standard of mark up/credit papers for the majority of requests/applications were of a good standard and highlighted the key risks and mitigants. This included where there were breaches of policy (usually GLEP) and the mitigants which could allow such a breach to outstand.** **I believe that the credit approval process worked well and individuals and divisions materially adhered to the credit authority policy, i.e. loans were approved by the appropriate credit authority.** **Any departures from best practice or guidelines were documented in the credit papers and required strong justification.** **On a case by case basis, borrowers were researched and risks were evaluated.** **However, there were a number of shortcomings evident which were a major cause of loss:** **The credit committees evaluated each transaction on a stand alone basis in so far as there was no context set by hard risk appetite limits. In practice therefore every application that could be justified was approved.** **There was almost a complete absence of portfolio management. The entire focus was on the evaluation of individual credits rather than on the management of portfolios or sub portfolios.** **Very poor credit management information at portfolio level meant it was harder to measure and therefore manage concentration risk or correlated risk. Much of the information had to be collated manually. Therefore considerably more time was spent gathering the information than analysing and managing the outcomes.** **It was also believed that there was sufficient diversification in the portfolio from a mix of asset classes and different geographies.** **However, with the severity of the collapse,** **the impact of the correlated risk was much greater than expected.** **Credit management was more backward looking than forward looking which gave no early warning indicators.** **As portfolio credit management was poor, stress testing, such as it was produced unreliable results.** **Poor macro analysis which led to a delusion that the Irish housing market was not experiencing a bubble. The prevailing sentiment at the time was that the housing market would experience a soft landing.** Were such evaluations, and issues such as risk register monitoring and

			exceptions to policy, passed up the line to both the Senior management and the Board? **Exceptions to policy (mainly GLEP) were routinely reported to the GEC and Board via the monthly, quarterly, half yearly and yearly Credit Review reports which included all material exposures over €150m (later €300m)** **In addition, a report of exceptions over €250m was presented to the first Board meeting following management approval.** **However, there was no central register to capture exceptions to policy.** Equity in the other projects appears to have been used as a form of additional security or collateral for loan portfolios. Were these non-tangible assets in accordance with policy and were they independently valued? **Again, in the context of unfettered growth, and the need for growth, there was a perception that it was more sensible to continue to support and extend ever increasing amounts of credit to existing (large) developers.** **It was proposed that it was better to lend more to established and experienced developers than to lend to relative newcomers.** **This partially explains why a significant number of facilities in excess of the large exposure limits were approved.** **These large developers had also built up very significant net worth as a result of increasing values of their assets.** **It was always best practice to ensure that there was personal recourse to the borrower and that AIB accordingly would have recourse to any and all assets that were unencumbered or where equity existed i.e. the borrowers' net worth.** **As it transpired, there was a wholly inappropriate degree of comfort taken from cross collateralisation and net worth, which turned out to be nothing more than the delta between very high (and unsustainable) asset values and significant debt.** **In most cases, an independent valuation would only be sought for assets directly securing a project. Otherwise AIB would have relied on a Statement of Net Worth from the borrower.**
5	**B2c**	**Analysis of risk concentrations in base and adverse economic scenarios and impact on capital structure**	**<u>Internal Audit Reviewing the Stress Tests</u>** Did Internal Audit perform a review on the actual stress test performed and, in particular, did Internal Audit review the formulas and assumptions used? **Not to my knowledge**

*** Reference Appendix A, Themes and Key Lines of Inquiry**

		Line of Inquiry*	**Questions**
6	**B2c**	**Analysis of risk concentrations in base and adverse economic scenarios and impact on capital**	**<u>Internal Audit Reviewing the Stress Tests</u>** a. Did the bank employ the services of a suitably qualified, independent expert, to carry out a review on the stress tests that were performed

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		structure	and the reporting of the results **Not to my knowledge at that time.** b. Did you feel that you were adequately informed about the results of the stress Tests and their significance? **Yes, I was centrally involved in the process.**
7			**<u>Concentration Risk</u>** a. Was there a review of the adequacy of the reporting to the Board of key risks (e.g. the concentration risk being faced by the bank, LTV 100% loans etc.)? **I have no knowledge of a review of the adequacy of the reporting to the Board of key credit risks taking place during my tenure as GCCO.** **However, from late 2007 the nature of the reporting to the Board of key risks evolved rapidly as the economy deteriorated.** **Reports were more frequent and were often theme based e.g. residential development in RoI. The reports also provided much more detail on individual exposures and underlying risks. In 2008 there was much greater focus on adequacy of provisions.** b. Did the Board receive adequate reports on the concentration levels for Escorial and Customer levels? **Yes, the Board received monthly, quarterly, half yearly and yearly reports which outlined in detail growing concentrations, particularly in property.** **These reports also contained details of all individual exposures in excess of €150m (up to June 2007) and in excess of €300m from September 2007 onwards.** c. Between the period 2004 and 2008, did you have any concerns about the growth in lending concentrated in property development and focused on a small number of customers? **My role as GCCO only commenced in early 2007 and one of the earliest projects was to present to the Board, a detailed paper ' Property Portfolio Management Framework ' highlighting the concerning growth in property concentration.** **My concern was much greater regarding the overall growth in property rather than the fact that it was concentrated in a relatively small number of borrowers.** **AIBs loss would not have been any less if it had the same exposure to property but spread among a larger number of individual borrowers.** d. Were the various risks associated with these concentration levels adequately reported and discussed by the Board? **Yes, the Board was kept fully apprised of the evolution of both sectoral and single counterparty concentration risk.**

8	**B3b**	**Analysis of liquidity risks under adverse scenarios**	**<u>Liquidity</u>** In evidence to this committee a number of witnesses have stated that the Guarantee was needed due to Liquidity issues faced by a number of institutions. What is your view on this and what stress testing had been put in place at your institution to ensure such an event would not happen? **I cannot comment on this as I am not sufficiently knowledgeable. Liquidity was the responsibility of the Finance and Treasury functions.**
9			**<u>Liquidity & Crisis Planning</u>** What crisis plans did you have in place and what emphasis was placed on Liquidity? **As above**
10			**<u>Wholesale Funding</u>** Was the level of Wholesale funding in your institution a concern for you and did you feel the possible risks attached to such funding were clearly understood at both Senior Management and Director level? **As above**
11	**B3c**	**Interest rate risk appetite setting and monitoring**	**<u>Interest Rate Risks Appetite</u>** What was the Interest Rate Risk appetite of your institution, how was it managed and who monitored the resulting net position? **I am not sufficiently knowledgeable to comment on this. Interest rate management was the responsibility of the Finance and Treasury functions.**
12			**<u>Interest Rate Risks Appetite</u>** The Banking Inquiry has heard evidence and obtained documentation examining the risks that products such as tracker mortgages posed for the credit institutions. Did the senior management and the directors of the bank fully understand these risks and levels of exposure? **As above**

*** Reference Appendix A, Themes and Key Lines of Inquiry**

	Line of Inquiry*		Questions
13	**B3e**	**Capital structure / loss absorption capacity**	**<u>Capital Structure</u>** Banks appear to have set capital target levels higher than the regulatory limits. What was your view on this? **I am not sufficiently knowledgeable to comment on this. Capital adequacy was the responsibility of the Finance function.** Was there a markets related expectation to exceed the regulatory levels? **As above**
14	**B4a**	**Adequacy of valuation**	**<u>Valuation Of Assets</u>**

		policies and assumptions to accurately assess loan security	a. What reports did the Board or the (Credit) Risk Committee receive that detailed assets which were; - Were taken as security and were valued over €1m? - Taken with registration outstanding for more than 90 days? **To my knowledge there were no such reports presented to either to the Board or the RMC.** **However, there was a major exercise conducted in RoI to follow up on Solicitors Letters of Undertaking which were outstanding for some considerable time pending the registration of the banks charge in the Land Registry or the Registry of Deeds. The RMC and Board were kept fully apprised of the progress of this exercise.** **Otherwise, the main report in which security was outlined was the credit mark up when security held or to be obtained was outlined. However, the status of the security was rarely discussed. There was a general assumption that if the mark up stated the security was held, this was taken at face value.** **It subsequently transpired that there were many security issues which were uncovered as a result of enforcement procedures, loan sales, transfer of assets to NAMA or independent security reviews.** **Most of these issues, whilst they existed, did not emerge or materialise until 2010 when the transfer of assets to NAMA commenced.** b. What details were presented on these reports? **As above** c. How often were these reports received and in what format? **As Above** d. Did the board ever discuss or comment on assets with a value of over €1m, taken as security for loans underwritten? **Not in any formal manner. Security issues may have been discussed in the context of individual borrower discussions.** **From 2010 onwards, there would have been much more detailed discussion on security issues as they began to emerge as part of the vendor due diligence for the transfer of assets to NAMA.**
15	**B4b**	**Independence of professional advisors in valuing property assets**	<u>**Independence of Valuers**</u> a. Where the bank received a valuation on assets presented as security for a loan, did the bank have a policy of; - Obtaining a second valuation? - Reviewing the valuation of the assets on a regular basis? **The valuation of assets in the period under review was generally unsatisfactory for a number of reasons:**

			AIB, particularly in RoI did not issue formal standardised instructions to valuers. In most cases the instruction was given verbally (by phone) or a short email. This is one of the main reasons valuers were not held accountable for inaccurate valuations. **Almost without exception, a full Royal Institute of Chartered Surveyors valuation was not sought. Rather a desk top or drive by valuation was provided. The valuation was usually done on a comparative basis as the market was so liquid it was easy to find similar assets which had recently transacted. However, this method did not include a development appraisal of the site.** **A second valuation was almost never sought and valuations were rarely updated.** b. Do you feel that the professional valuation firms may have had a conflict of interest when requested to value an asset? **It is possible. However AIB would expect a professional valuation firm to declare a conflict if one existed. AIB would only instruct a valuer who was not involved in the particular transaction either on the buy side or the sell side.**
16	**B6a**	**Effectiveness of internal audit oversight and communication of issues related to governance, property-related lending strategies and risks and funding and liquidity risks**	**<u>Effectiveness of Internal Audit</u>** Did Group Internal Audit review the risks associated with customer concentration levels and short term funding to service long term lending? **In December 2008, Group Internal Audit ('GIA') conducted an audit of Risk Management of Credit Concentrations. It didn't include an audit of funding structure.** **At this point there had been very significant growth in concentration of building, property and construction, so not surprisingly GIA identified 5 important issues (shortcomings).** **Whilst action plans were agreed for each of these issues and responsibility assigned, ultimately the situation was too far gone for the GIA recommendations to have any material impact.**
17	**B6b**	**Effectiveness of oversight of prevailing risk culture**	**<u>Risk Culture</u>** Was a review of the risk culture and appetite of the Bank ever carried out by either external consultants or internal audit? If yes what was the outcome and any action taken afterwards? **In Q1 2005 GIA conducted a number of audits relating to management of credit across the Bank.** **The most significant one was the Credit Risk Management Framework. The key findings were:** **There is a need for more formal governance and oversight through the the establishment of Group-wide credit standards and core principles.**

			Lack of Group-wide credit risk strategy and risk appetite. Lack of stress testing at both Group-wide and Divisional levels. The need to establish and monitor, on a portfolio basis, concentration limits. There is an absence of a Group-wide data warehouse, which makes the reporting on credit risk exposures a manual and time consuming process. Whilst there was some incremental progress made on some of these themes, a formal Group-wide Credit Management Framework was never introduced. In Q1 2006 GIA completed an audit into the processes of sanctioning and monitoring/controlling property, building and construction (‘PBC’) exposures. At the time of the audit fieldwork (June 2005) PBC exposures stood at €19bn or 26% of total advances. The audit found that the management of PBC exposures differed across the Group. Each division was autonomous in terms of risk appetite, best practices, procedures and processes. The audit highlighted 14 material issues or shortcomings. The key themes highlighted were: Valuations: in 2 divisions, Capital Markets and Poland, an independent professional valuation was mandatory. However, in RoI and UK divisions it was left to the discretion of the individual case manager of the local credit committee. Formal project management for developments was not mandatory across divisions. Sanctioning loans using lenders individual lending discretion (up to €15m) without the need for credit unit sign off was practiced in RoI and UK divisions. GIA recommended that consideration be given to adopting a more formal Group-wide framework to promote a more consistent approach in terms of sanctioning policy and control/monitoring processes and less reliance on the discretion of individual lenders. This framework was not adopted, although UK in particular introduced a greater degree of segregation of duties. In November 2008, PWC produced a report on the financial and capital position of AIB for the IFSRA. Its Key Risk Observations were: 1. There was a risk concentration by geography, asset class and sub asset class, mainly property. 2. Criticised loans increased significantly in the 9 months to Sept. ‘08 3. Bad debt charge for 2008 would be €960m or 75bp and 110 bp for

			2009 **4. The top 26 exposures accounted for 8% of total advances** **5. A base stress test scenario indicated provisions of €957m for 2008. Whilst a severe stress test scenario indicated provisions of €1057m for 2008.** **6. There was an established Credit Management Framework ensuring independent oversight.** **7. The current economic difficulties would have a negative affect on AIB.** **This exercise was completed after the Bank Guarantee was put in place and very soon the collapse in the international and local economies rendered the findings obsolete.**

*** Reference Appendix A, Themes and Key Lines of Inquiry**

		Line of Inquiry*	Questions
18	**R2b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy**	**<u>Financial Roundtable Discussions</u>** The Financial Roundtable meetings were attended by senior management of your bank. Were you an attendee at any stage or were you informed of the roundtable discussions? Were discussions held with you or was any policy / strategy change considered as a response to these meetings? **I have no knowledge of Financial Roundtable Meetings.**
19			**<u>Macro-Economic Inputs</u>** Did you include macro-economic considerations in your credit strategy? Did you discuss Financial stability Reports or other macro-economic forecasts with the Banks economics unit or senior management? **Yes, inputs from the Bank's economist and many other sources were regularly sought.** **Unfortunately the prevailing sentiment (including that of the Central Bank) was the housing market would experience a soft landing.** **Very few commentators or key indicators pointed to the depth or breadth of the collapse in the Irish economy.**
20			**<u>Prudential Policy Implementation</u>** In your opinion was the introduction of new liquidity requirements and reporting standards in 2007 a helpful measure to improve liquidity forecast and liquidity monitoring? If not, why not?

			I am not sufficiently knowledgeable to comment. Liquidity was the responsibility of the Finance and Treasury functions.
21			<u>**Prudential Policy Implementation**</u> Please provide details of any discussions held with FR staff on the continuous relaxation of credit policies. Could you please describe the outcome of these discussions? **I was not involved in any such discussions.**
22	**R3b**	**Nature and appropriateness of the relationship between the Central Bank (including the Financial Regulator), Department of Finance and the Banking Institutions**	<u>**Relationship with FR/CBI**</u> Apart from the provision of reports to the Central Bank / Financial Regulator what other communication did you, or your reporting lines, have with staff at the Central Bank or Financial Regulator? **Other than the provision of the statutory reports, there was very little contact or engagement with the staff of the FR/CBI other than follow up discussions on points of clarification or technical points relating to the reports provided.**
23			<u>**Relationship with FR/CBI**</u> a. Did the bank provide any "out of course" insight (i.e. informal) to the Financial Regulator on their credit risk and bond exposures during 2007 and 2008? **Not to my knowledge** b. If so how often would this have occurred? **N/A** c. Who within the Financial Regulator was your primary contact, for credit risk and bond exposures? **Mr Dermot Finneran**
24			<u>**Relationship with FR/CBI**</u> How would you describe your relationship with the Central Bank /Financial Regulator? **It was a professional relationship between AIB and FR/CBI.** **As GCCO I had very little engagement with the FR/CBI from my appointment in early 2007 until the market deteriorated rapidly in H2 2008.**
25			<u>**Relationship with FR/CBI**</u> During reviews of your loan book, monitoring or governance structures, how would you describe the working relationship with the Banking Supervision teams of the CBI / FR? What was your view of the knowledge and expertise of

			the banking supervision teams? **To my knowledge, during 2007 until late 2008, there may not have been any loan portfolio reviews conducted by the Banking Supervision team in FR/CBI. In fact up to late 2008 the degree of contact/engagement from the FR/CBI was minimal. It wasn't until Q4 2008 at the earliest that there was any serious engagement from FR/CBI when they had personnel attending various committees including the GCC. However, from Q4 2008 the main function of the GCC was the approval of adequate provisions and agreeing work out strategies for impaired cases.**

*** Reference Appendix A, Themes and Key Lines of Inquiry**