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Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

Tom Browne

Session 52a (a.m.)

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

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

WITNESS STATEMENT OF THOMAS J BROWNE

INTRODUCTION

I refer to the direction to attend and make a statement in writing pursuant to section 26 of the Houses of Oireachtas (inquiries, privileges and procedures) Act 2013 as received by me 21st May 2015 (the direction)

BIOGRAPHICAL INFORMATION

I was recruited into Anglo Irish Bank in January 1990 as a lending manager having previously worked with AIB Bank for 10 years. I resigned from the Bank in September 2007 where my final position was Managing Director Lending Ireland. I hold a Bachelor of Business Studies Degree from UL and a Master of Business Studies Degree from UCD.

LINES OF INQUIRY

Further to the direction, I note that the inquiry wishes to pursue the following lines of inquiry with me

B2:b B4:a,b,c B5 :a B6 :a C2:c C3:b

B2 b

The credit decision process in Anglo evolved over the years as the bank developed reflecting its business and geographical growth but the fundamentals of the loan approval, credit review process and exception management remained core:

The Key Fundamentals were:

The individual lending manager took personal responsibility for the underwriting of their loan application on behalf of their client.

The lending proposal was then presented by the lending manager to their peer group of lenders the meeting being chaired by the most senior lender in attendance followed by an open discussion by the attending group on the merits of the lending proposal which required a unanimous agreement from all in attendance for the loan to be put forward to credit committee for consideration.

Q

Having been signed off at this forum the credit would then be presented by the lending manager to credit committee, this meeting being chaired by Head of Risk and also attended by senior personnel from non banking divisions again the decision to sanction the credit required the unanimous agreement of all in attendance at the credit meeting .

If the credit was approved and in excess of a figure of 20 million Euro the lending manager then had to get sign off from a non executive director of the bank prior to issuing a formal letter of approval to their client .

Following approval of the loan the lending manager would be responsible for instructing both solicitors and valuers to carry out the necessary tasks of property valuations in respect of underlying security and perfection of the underlying banks security .

Following drawdown of the loan the lending manager who had brought the loan application through the approval process was responsible for the ongoing management of the loan which would form part of their portfolio of loans to be managed .

At all times there existed lending policies for the bank which documented the type of loans the bank wanted to underwrite and the criteria that had to be followed in relation to the underwriting of such loans , this document was reviewed on an annual basis by the credit risk team and brought to the board of the bank each year for review and approval .

Part of the ongoing management of each loan was a quarterly loan review process where every loan in terms of performance / issues of concern were reported to the credit risk team by way of a one to one meeting with the respective lending manager and the credit risk team .

Following this meeting the credit risk team would decide if loan accounts were to be 'put on watch' with a clear instruction to the lending manager what action was to be taken on the individual loan account or if a loan loss provision was to be applied against an individual loan .

Following these ongoing quarterly reviews by the group risk function a presentation would be made to the board of the bank by group risk on the findings of loan review process .

The Group Risk function developed over the years to reflect the growth of the bank to ensure credit policies were constantly reviewed, timely information in terms of loan book performance was provided to lending personnel , the board of the bank , the regulatory authorities and company auditors

In my view the credit approval process , the ongoing credit review of loan performance , the ongoing review of credit policies , was both robust and dynamic and the system allowed for early identification of problems in the loan book and reporting of same to the board of the bank .



In relation to exception management where a loan was being put forward that was outside of credit policy this was clearly highlighted in the credit papers for discussion at the credit committee meeting as to why the credit should be approved if an exception to credit policy and a decision to be made in relation to same at the credit meeting.

B4 , a , b , c.

The Bank's approach to valuation of underlying security to be held by the bank was a clear requirement that all professional valuations were to be addressed to the bank and carried out by a bank approved valuer.

The panel of valuers were reviewed on an annual basis by the Group Risk function

In relation to perfection of security the Bank had a panel of solicitors which was divided into two distinct panels the criteria difference for both reflected the size of the loan being drawdown

The responsibility of the solicitor acting for the bank was to ensure the banks security was perfected and completed accurately to ensure the bank was fully protected in terms of realisation of security .

My recollection is that the bank had a satisfactory record in terms of enforcing its security .

B5 a

There was no link between incentive and remuneration arrangements and loan growth for individual lenders as this for any bank would have been highly imprudent and dangerous .

B6 a

Internal audit function was secondary to Credit Risk function in terms of engagement in management of the portfolio of loans and property related risks underlying the loan book .

C2 c

When i resigned from the bank in September 2007 there was no indication of any funding stress within the balance sheet of the bank with the bank continuing to grow a variety of funding sources at that time .



C3 b

By the time the bank guarantee decision was made i was no longer involved in the banking industry .

Dated this 14th July 2015

A handwritten signature in black ink, appearing to read "Thomas J Browne", with a long horizontal flourish extending to the right.

Thomas J Browne.