TUARASCÁIL ón gComhchoiste Fiosrúcháin i dtaobh na Géarchéime Baincéireachta

An tAcht um Thithe an Oireachtais
(Fiosrúcháin, Pribhléidí agus Nósanna Imeachta), 2013

REPORT of the Joint Committee of Inquiry into the Banking Crisis

Houses of the Oireachtas
(Inquiries, Privileges and Procedures) Act, 2013

Volume 1: Report
Volume 2: Inquiry Framework
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PTSB: Core Book 54

January 2016

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THEME: B1

Effectiveness of banks' board governance, client relationships and business models

LINE OF INQUIRY: B1a

Composition, skills and experience of the board and board subcommittees

DRAFT

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD ON TUESDAY 20 APRIL 2004 at 8.15 a.m.
IN IRISH LIFE CENTRE

Present:	R. Douglas (in the Chair)	P. Lynch
	D. Went	B. McConnell
	G. Bowler	K. McGowan
	D. Casey	K. Murphy
	P. Fitzpatrick	F. Sheehan
	E. Heffernan	

In Attendance: S.A. Ryan (Group Secretary)
C. Long
D. Gantly (37-ILP-4 & 38-ILP-04)
Donal Casey (39-ILP-04)

33-ILP-04 The minutes of the Board meetings held on Tuesday 2 March 2004 and Tuesday 23 March 2004 were approved and signed. Arising from minute 22-ILP-04, Denis Casey confirmed that the actual cover level set out in the incorrect Life Options brochure was being granted to those customers affected by the error.

34-ILP-04 The minutes of the Audit Committee meeting held on Tuesday 23 March 2004 were noted.

35-ILP-04 The minutes of the Nomination Committee meeting held on Monday 19 April 2004 were circulated at the meeting and these were noted. The Chairman pointed out that all non-executive Directors had been invited to the meeting and thus it had been constituted as a meeting of all non-executive Directors. He also confirmed that a copy of the Report on the Evaluation of Collective Board Performance, prepared by the external consultant, John Barnard, had been circulated to all Directors.

The Board discussed the Report at some length and, while recognising that it was largely a self-assessment process, was pleased with the overall outcome.

The Group Chief Executive indicated that he would bring forward proposals to progress the specific actions identified by the Nomination Committee to further improve Board effectiveness.

The Board agreed that a professional search agency be engaged to assist in the appointment of a further non-executive director who would have particular skills in the area of consumer distribution and marketing. As part of the search process it was anticipated that each Director will be asked by the search agency to submit names of potential candidates.

The Chairman also indicated that he would be discussing with Executive Directors how the Board might add more value to their business operations and would also shortly be carrying out a review of individual Directors' performance.

36-ILP-04 The Group Chief Executive's Report to March 2004 had been circulated and this was reviewed. Matters arising from a discussion of the Report were as follows:

- Profit before tax and exceptional items for the first three months was about €24m and was on target to achieve budgeted numbers for the year-end. (Figures for Group Sales and **ptsb's** P & L for the first three months of 2004 were circulated to Directors after the meeting.)

- The e-channel (including telephone) activity in the bank was small but growing and a visit of Directors to the e-Business centre in Blackrock was suggested.

- [redacted]

- [redacted]

- Peter Fitzpatrick provided an update at the meeting on recent corporate activity in both Ireland and the UK.

37-ILP-04 David Gantly made a presentation on Liquidity Policy in Banking Operations and highlighted the importance of this policy for Rating Agencies and Regulators. The relative costs of 7 day versus 30 day liquidity arrangements were discussed, as was the need to monitor counterparty arrangements. The Board approved the strategy outlined in the document, which had been circulated, including the policies related to the management of liquidity. It was agreed to carry out an annual review of the strategy.

38-ILP-04 Peter Fitzpatrick summarised the key features in the list of approved credit limits for Group Treasury that had been circulated for the meeting. It was noted that the limits comply with Moody's ratings and with regulatory and internal restrictions.

39-ILP-04 [redacted]

Non IL

Non IL

40-ILP-04 Peter Fitzpatrick made a presentation on the recent Investor Relations programme which incorporated over 80 one-on-one meetings since March 2004 covering all major investment centres and also included three major broker conferences. The launch of the Group's now revamped web site was also highlighted.

A market research project with analysts and investors will shortly be carried out and a presentation of the results will be made at the June Board meeting.

41-ILP-04 The previously circulated Compliance Update was reviewed by the Board.

42-ILP-04 The Board noted, based on a previously circulated memorandum from David McCarthy, the proposed capital spend to adopt an Internal Ratings Based ("IRB") approach to credit risk within the Bank's retail portfolio as part of the implementation of Basel II as required by IFSRA.

43-ILP-04 The Board noted, based on a previously circulated memorandum from Frank McGowan, the development finance proposal for Lambay Development & Construction Ltd. that was approved by the Credit Committee.

44-ILP-04 The Board noted, based on a previously circulated memorandum from Peter McCabe, the approval by the Credit Committee of an increase in the BNP Paribas Derivatives limit, accommodated by an equivalent reduction in the cash limit.

45-ILP-04 The Board noted the approval by the Credit Committee of an increase in the derivative exposure to UBS above the previously approved limit due directly to currency movement.

46-ILP-04 [redacted]

47-ILP-04 The Board approved the proposal to appoint new pension scheme trustees as follows:

(a) Ciarán Long as a director of TSB Bank Pension Trust Ltd.

(b) Ciarán Long and Michael Conlon as management nominees to the board of trustees of the Irish Permanent Staff Pension Scheme, and

(c) Ciarán Long as a management nominee the board of trustees of the Irish Progressive Pension Plan.

48-ILP-04 The Board approved the use of the Company Seal for the period 27 February 2004 to 8 April 2004 as set out in the Secretary's Report.

49-ILP-04 The Annual General Meeting of the Company will take place on Friday 21 May 2004 at 11.30 a.m. in Jurys Hotel, Dublin 4. It was agreed that a meeting of the Board will be held at 10.30 a.m. on that day in Jurys Hotel.

The next following Board meeting will take place on Tuesday 22 June 2004 in the Radisson SAS Hotel, Galway.

Chairman ....

Date ....

THEME: B1

Effectiveness of banks' board governance, client relationships and business models

LINE OF INQUIRY: B1c

Quality of business model setting process

Group Treasury

Liquidity Reporting Requirements

INTERNAL AUDIT REPORT

Report Issued to:	David Gantly	Group Treasurer
Audit Team:	Stuart Heffernan	Senior Auditor, Internal Audit
Approved By:	Hilary Flood	Chief Risk Officier
Audit Code		**GFGT02**
Issue date:		**23 February 2007**
Report Number		**07 N 01**

1. MANAGEMENT SUMMARY

Objective	To review the controls in place to implement the new Financial Regulator requirements for the Management of Liquidity Risk and the resulting reporting output prior to going live.
Scope	Financial Regulator requirements for the Management of Liquidity Risk.
Main Findings	Internal Audit tested a sample of the figures included in the liquidity reports produced for 31 December 2006 and reviewed documentation, including the liquidity policy, prepared by Group Treasury. Overall, Internal Audit is satisfied that Group Treasury have in place a revised Liquidity Policy document and are satisfied with the accuracy of the data, as tested, being reported in line with the Requirements.

There are a number of actions which Group Treasury will have to complete immediately after going live in order to ensure accurate reporting going forward. As they stand currently, these points will not impact on the ability of Group Treasury to commence reporting under the new requirements, however, they must be addressed to ensure full compliance on an ongoing basis. Due to the nature of this review, these points have not been graded but are included in Internal Audit's overall assessment of Group Treasury's implementation of the Requirements. The points are documented in Section 2 of this report. Internal Audit have set out the current status of the items and have agreed appropriate courses of action with Group Treasury. In addition, Internal Audit have agreed to complete a spot check in Q2 to ensure adherence to the actions.

Group Treasury are aware that there are some very minor rounding differences on the face of the liquidity reports. The underlying data is not affected. These do not have a material impact on the percentages or ratios reported. Group Treasury are currently working with the system developers to resolve the issue.

It should be noted that Internal Audit's review was limited to cashflows from Group Treasury and permanent tsb, which make up the majority of the cashflows included in the Liquidity Report submitted to the Financial Regulator. The cashflows from the subsidiary companies of Irish Permanent International (IOM), permanent tsb Finance Ltd and Capital Home Loans Ltd (UK) have not been reviewed by Internal Audit.

Irish Life & Permanent plc

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<u>Addressee only</u>

Ms Mary Burke
Head of Banking Supervision
Financial Regulator
Central Bank
Dame Street
DUBLIN 2

20 November 2008

Dear Mary

Irish Life & Permanent plc

On behalf of Irish Life & Permanent plc I submit the attached business plan.

This plan illustrates how the Group proposes to strengthen and maintain its financial strength during the challenging period ahead.

In particular, it highlights the following:

- The Group's capital strength is such that it does not face any need to add to its core equity from external sources over the period to the end of 2011.

- Across the Group we have consistently adopted a low risk approach to the business. Within the bank, we have concentrated upon retail lending and impairments within our loan books are expected to be significantly less than those for banks with more diversified portfolios.

- We expect that post tax profits for the Group will rise from an anticipated €302m in 2009 to €474m in 2011.

- The capital strength of the Group is such that we can withstand further significant shocks regarding loan impairments and adverse impacts on the profitability of the Group outside of the base case assumptions contained within the plan.

- We are confident that we can restructure our funding base over the course of the next three years. Central to this is consideration of the maturity of the Government Guarantee in 2010 and the need for this issue to be addressed before then if there continues to be a high degree of dislocation in the credit markets.

- We have a number of ambitions on the strategic front including EBS Building Society (well progressed) and Irish Nationwide Building Society (very early stages). We look forward to discussing these opportunities with you.

I look forward to having the opportunity to discuss this report with you at your earliest convenience.

Yours sincerely

DENIS CASEY
Group Chief Executive

Irish Life & Permanent plc

Lower Abbey Street
Dublin 1

Tel: (353 1) 704 2000
Fax: (353 1) 704 1908

Mr Bernard Sheridan
Banking Supervision Department
Financial Regulator
PO Box 9138
College Green
Dublin 2

23 December 2008

Dear Bernard

I refer to your letter of 9 December in relation to our Business Plan. As requested, we have now updated our Assumptions underlying the initial Plan and obtained the agreement of the Board for these revisions. The Board met on 16 December and engaged in a detailed consideration of the Plan and recommended certain adjustments which have now been incorporated in the updated version which is attached.

Schedule 1 of your letter deals with a number of other issues in relation to the Plan. I enclose a reply to all seven issues and look forward to having the opportunity of discussing these issues further with you.

Yours sincerely

Denis Casey
Group Chief Executive

Revised Plan for FR

Economic Assumptions

	2007	2008	2009	2010	2011
ROI					
House Prices	-7%	-13%	-11%	-3%	-1%
GDP	4.10%	-1.70%	-4.00%	0.50%	1.50%
Unemployment	4.60%	7.40%	10.20%	11.00%	10.20%
Interest Rates	4.00%	2.50%	1.50%	1.50%	2.00%
UK					
House Prices	5%	-14%	-10%	-3%	3%
GDP	3.10%	0.90%	-0.90%	1.70%	2.60%
Unemployment	5.20%	6.00%	8.40%	8.40%	7.50%
Interest Rates	5.50%	2.00%	1.00%	1.00%	1.50%

There are no changes to any other assumptions including book growth and cost of funds and life earnings.

Summary Financial Outputs

	2008 €m	2009 €m	2010 €m	2011 €m	Total €m
Banking profits					
Operating profit	100	61	91	153	
Guarantee costs	-7	-34	-26	0	
	93	27	65	153	
Group profits					
Profit before tax	409	290	356	478	
Tax	-43	-24	-34	-47	
Profit after tax	366	266	322	431	
Impairment provision (excluding Icelandic banks)					
profit and loss charge	44	146	128	103	422
bp	11	36	32	25	104
Capital Surplus	16	82	387	674	

Capital

	2008 €m	2009 €m	2010 €m	2011 €m
RWA	20,900	21,290	20,225	19,710
Available capital				
Tier 1	4,559	4,293	4,588	5,002
Tier 2				
Debt	1,210	1,109	786	729
Other	106	94	99	99
	5,875	5,496	5,473	5,830
Deductions	-3,802	-3,455	-3,225	-3,343
	2,073	2,041	2,248	2,487
Required capital				
Required (8% ratio)	1,672	1,703	1,618	1,577
Pillar 2 - ICAAP add-on	385	255	243	237
	2,057	1,959	1,861	1,813
Surplus	16	82	387	674
RAR	9.9%	9.6%	11.1%	12.6%

Change from original plan

	2009	2010	2011
Available capital			
profit before tax	-44	-92	-144
taxation	8	14	22
	-37	-78	-122
Tier 2 provision	1	2	1
EL	-28	-7	15
	-63	-83	-106
Required capital			
Required 8%	45	27	21
ICAAP Add-on	7	4	3
	52	31	24
Change in surplus	-115	-114	-130
Original Surplus	198	501	803
Revised surplus	82	387	673

Response to schedule 1

Business Plan Approval

The Board of Directors met on Tuesday 16 December and considered the business plan which had previously been submitted to the Financial Regulator. In particular, it considered the original economic assumptions and recommended that a number of these be further updated to reflect the current consensus view of the market. That process has now been completed and the revised assumptions and financial output is attached. These outputs have been communicated to the Board.

Stress Scenarios

The stressed case scenario and relevant sensitivities have previously been presented to the Financial Regulator through Dwayne Price.

Liquidity and Funding

The aspect of resourcing within our Group Treasury was raised with the Board at its meeting on 16 December. In that regard it was noted that the matter had been previously raised in a post inspection letter and a response had been sent to Dermot Finneran on 3 December 2008. The Board noted the content of the reply and, for the sake of completeness, we attach a copy of this letter in which Section H6 refers to the resourcing issues.

With regards to contingent funding and liquidity arrangements, effectively the Group has invoked its contingency funding plan with effect from late 2007. This involved the use of ECB funding, supplemented by intra Group borrowings and intra market support where available.

In the period since the end of 2007, the Group has continued to create pools of assets capable of being used as collateral to support continuing Repo transactions in the market. In excess of €3bn of such collateral was used to support term funding to refinance maturing long term debt and these transactions were completed in the third quarter of this year, prior to the introduction of the Government Guarantee Scheme.

Going forward, we will continue to depend upon the availability of Repos, either from the ECB or market generally. At the Alco meeting of 18 December, it was reported that we had approximately €5bn of unpledged collateral within the various mortgage pools and a further €10bn of assets capable of being collateralised with in the region of half of this level capable of being accessed quickly in a distressed situation. The Group is committed to continuing to build up pools of collateral assets.

Longer term funding solutions which were briefly discussed at our meeting with the Financial Regulator on 2 December, continue to be researched by ourselves. We have engaged with Goldman Sachs on this matter and hope to revert to you again in January. We remain enthusiastic about the opportunity of engaging with other Irish Institutions through a forum which could be facilitated by the Financial Regulator.

Deposits

The Group remains committed to growing the level of retail and corporate deposits. An application to the FSA in the UK has now been submitted and a reply expected by mid January which, if successful, will permit the Group to commence retail deposit taking in the UK, where it does not currently have a presence.

We expect that the commercial/corporate deposit market will remain difficult over the year end as liquidity is tight in the market generally. However, we are hopeful that the first quarter of 2009 may see some easing of the market.

Whilst being committed to improving the Group's loan to deposit ratio, we again repeat the matter raised in the business plan and raised at our meeting on 2 December, namely that we feel the most appropriate measure of funding is the ratio of deposit and term funding combined as a percentage of total funding. This more appropriately addresses the funding risk presented by the duration of the assets on our Group balance sheet. Accordingly, where a shortfall may present itself over the three years of the plan in deposits/customer accounts, we feel that this shortfall will be rebalanced by drawing higher levels of term funding. Our current plan assumes that term funding stays at 30% of the total and, where a term funding solution as discussed above is found, this assumption will be unduly conservative.

Current Accounts and Tracker Mortgages
The information requested has already been presented to the Financial Regulator through Dwayne Price.

Quarterly Projections
Whilst we have updated all projections within the business plan and completed this exercise last Friday, we still have some outstanding work in respect of the quarterly projections which were requested. We anticipate having this information with the Financial Regulator in early January.

[redacted]

Oireachtas

THEME: B1

Effectiveness of banks' board governance, client relationships and business models

LINE OF INQUIRY: B1d

Adequacy of board oversight over internal controls to ensure risk is properly identified, managed and monitored

Irish Life & Permanent plc

Board Meeting of Irish Life & Permanent plc

to be held on Tuesday 1 February 2005 at 9.00 a.m.

in The Marriott Hotel, Druids Glen

Special Business - 3 Year Business Plan

- Introduction to Plan
- The Market View of IL&P (Goldman Sachs) (*not attached*)
- **permanent tsb**
- Retail Life
- Corporate Business
- Irish Life Investment Managers
- SWOT Analysis Including Financial Impacts of Plan
- Corporate Activity
- Open Forum on Future Strategy

Irish Life & Permanent plc

CORPORATE PLAN 2004 - 2006 UPDATE

INTRODUCTION

February 2005

Strategy Remains Unchanged

"Leading Provider of Personal Financial Services In Ireland"

- Focus on Organic Growth
- Cost Management
- Contribution EPS growth in excess of 30%

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Major Initiatives

Mortgages

- Strong Growth in Intensely Competitive Market

- Defending Market Share Through:
  - Launch of Tracker Mortgage
  - More aggressive selling of One Plan
  - Stronger Focus on RIPs
  - Product Enhancements for FTBs

- Reduce Early Redemptions/Customer Defections
  - Proactive Service Calls
  - Extension of Tracker to Existing Customers

3

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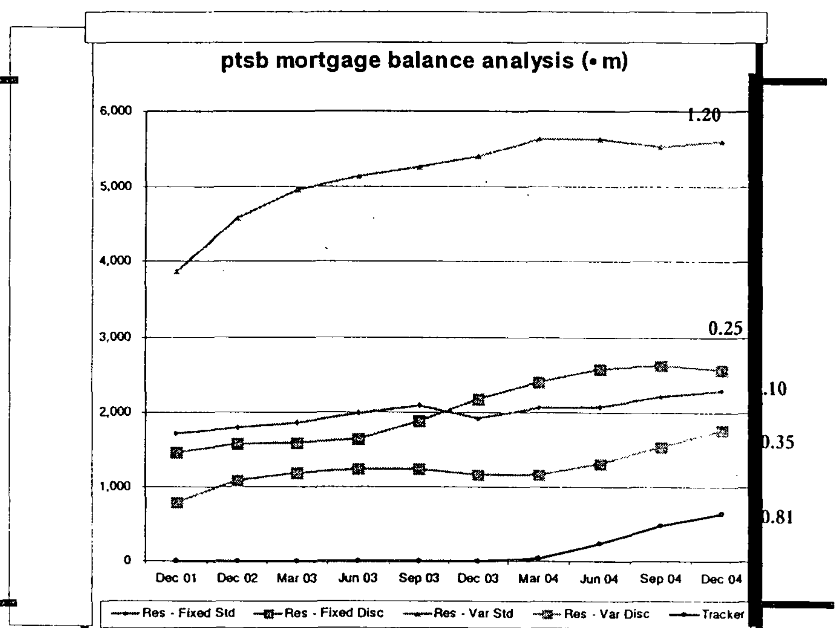

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GROUP CHIEF EXECUTIVE'S REPORT
FEBRUARY 2007

1. FINANCIALS

The full year results are dealt with as a separate agenda item – Peter and I will take you through our planned presentation. Suffice to say the figures are really very good, throughout the business, and we are probably 4-5% ahead of consensus.

2. SALES

The various business units dealt with 2006 sales at the last Board. While its early days January was pretty good everywhere. Irish mortgage sales in the Bank are under pressure due to market and competition but Denis can deal with that in more detail.

3. IRISH LIFE RETAIL

[redacted]

[redacted]

4. permanent tsb

RESIDENTIAL LENDING (INCLUDING ALL RIPS)

We are finding the going pretty challenging in the residential mortgage market. Overall activity levels are lower than 2006 with estate agents reporting something of a Mexican stand off between potential buyers and sellers. While viewing activity is reasonably steady, offers are slow to materialise with buyers holding back in the expectation that sellers will reduce asking prices to secure a sale. Continuing pre election posturing in relation to stamp duty changes will do nothing to stimulate demand over the next few months.

[redacted] Oireachtas [redacted]

We have also seen some significant pricing moves in the market with Ulster bank and AIB moving to mimic the NIB LTV tracker pricing. Tracker pricing from these three competitors now sits in a 50 basis points to 100 basis points range. Our tracker pricing range is 90 basis points to 135 basis points. This gap is not sustainable and we are in the process of reviewing our tracker product pricing to move back into line with the market. This further cut in margins means current broker remuneration terms are no longer affordable. We are developing parallel proposals to begin a process of reducing broker commissions.

At week 5 (week ending 6 February) overall residential approvals amounted to €901 million, down 27% on previous year. Residential drawdowns totalled €709 million – 5% behind 2006.

THEME: B2

Effectiveness of banks' credit strategies and risk management

LINE OF INQUIRY: B2a

Appropriateness of property-related lending strategies and risk appetite

Credit Update

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2004 Credit Update

Board Presentation

Presented by: Jim Aylmer

Head of Underwriting

Mar-2005

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Credit Update

Main Features
31 December 2004

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	Issued Amount	Increase
	€'m	%
Residential Mortgages	4,120	23
Equity Release / One plan	550	12
Rip's	920	70
Commercial Mortgages	370	85
Term Loans	169	1
	Balance	
Overdrafts:	92	-10
Visa:	63	7

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Credit Update

Main Features
31 December 2004

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	Issued Amount	Increase
	'm	%
Capital Home Loans	£1,260	46
IOM	£50.8	53
permanent tsb Finance	€566	11

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Credit Update

ROI - Residential Mortgages

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Issued Value (€m)

	Branch	Agency/DSF	Electronic	Broker
2002	1,064 (41%)	269 (10%)	61 (2%)	1,217 (47%)
2003	1,356 (41%)	337 (10%)	103 (3%)	1,557 (46%)
2004	1,654 (40%)	347 (8%)	163 (4%)	1,959 (48%)

Avg Loan Amount (€)

	Branch	Agency/DSF	Electronic	Broker
2002	113,000	117,000	137,000	138,000
2003	137,000	132,000	163,000	154,000
2004	162,000	149,000	187,000	178,000

Excludes Rip's

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Credit Update

ROI - Residential Mortgages
Equity Release & One Plan

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Issued Value (€m)

	Branch	Agency/DSF	Electronic	Broker
2002	169 (70%)	16 (7%)	12 (5%)	45 (18%)
2003	391 (80%)	21 (4%)	26 (5%)	54 (11%)
2004	446 (81%)	20 (4%)	23 (4%)	62 (11%)

Avg Loan Amount (€)

	Branch	Agency/DSF	Electronic	Broker
2002	46,000	39,000	41,000	48,000
2003	55,000	40,000	45,000	46,000
2004	73,000	45,000	56,000	48,000

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Credit Update

ROI - Residential Home Loan
LTV Ranges (values)

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	2002	2003	2004
	%	%	%
<50%	16	16	16
50-75%	32	33	32
76-89%	17	15	16
90-92%	35	36	36

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Credit Update

ROI - Rip's

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Issued Value (€m)

	Branch	Agency/DSF	Commercial	Broker
2002	128 (36%)	20 (6%)	96 (27%)	111 (31%)
2003	177 (33%)	30 (6%)	113 (20%)	223 (41%)
2004	319 (35%)	42 (4%)	176 (19%)	385 (42%)

Avg Loan Amount (€)

	Branch	Agency/DSF	Commercial	Broker
2002	138,000	135,000	228,000	153,000
2003	151,000	143,000	257,000	181,000
2004	188,000	179,000	401,000	210,000

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Credit Update

ROI - Rip's
LTV Ranges (values)

permanent tsb

	2002	2003	2004
	%	%	%
<50%	20	24	23
50-75%	29	34	35
76-89%	44	30	26
90%	7	12	16

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Credit Update

ROI - Average LTV (Values)

permanent tsb

	2002	2003	2004
	%	%	%
Home Loan	65	67	68
Equity Release/One Plan	48	48	49
Rip's	66	64	65

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Credit Update

ROI Home Loan Average LTV (Values) Buyer Status

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	2002	2003	2004
	%	%	%
First Time Buyers	79	81	81
Second Time Buyers	56	58	60
Overall Residential	65	67	68

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Credit Committee - Proposed Credit Policy Changes

1. **RIP Interest Only Mortgages**	**Increase Max LTV from 85% to 90% (Customers with more than 1 RIP)** **Increase Max LTV from 80% to 90% (First time Investors)** **Increase Review period from 3 Years to 5 Years**
2. **One Plan / Re-Finance Mortgages**	**Increase Max LTV from 85% to 92%**
3. **SSIA Savers**	**Moratorium on mortgage payments – up to 6 months** **Moratorium on term loan repayments – up to 6 months**
4. **Letter of Serviceability**	**For noting - Min. income level increased to €50k**

Credit policy changes will require the approval of the Bonders, Board ratification and notification to IFSRA.
(Letter of Serviceability does not require Bonders approval)

6th Dec 05

1. RIP Interest Only Mortgages

Increase Max LTV from 85% to 90% (Customers with more than 1 RIP)
Increase Max LTV from 80% to 90% (First time Investors)

BACKGROUND:

The reintroduction of interest relief on residential investment properties in 2002's budget significantly increased the demand for residential investment loans and with continued levels of house price growth albeit moderating, the demand for interest only repayment options also increased. In order to meet this demand, the Bank first developed a suite of interest only residential investment products in June 2002 and now 59% of RIP business is issued on an interest only basis. The market for investment properties remains strong, despite a fall off in yields (now at circa. 3-4%) in recent years. Breakdown of interest only business is outlined below:

	Interest Only	Annuity
Commercial	84%	16%
Retail	39%	61%
Intermediaries	60%	40%
Total RIP*	59%	41%
Total Home Loan**	2%	98%

(*Source: Central Credit Dept. Up to end Q3; **Source: Management Accounts. Up to 18/11/05)

From an investors perspective, availing of interest only options clearly makes sense:
- It maximises the tax advantage of offsetting interest relief.
- It reduces overheads in an environment where rental yields are low and this in turn facilitates expanding current portfolios. Typical repayments on €200k over 25 years reduces from €1006 on a capital and interest basis to €592 on an interest only basis.

PROPOSAL:
- Increase the LTV to 90% for both first and second time investors from 80% and 85% respectively.
- No change to nets calculations.
- Extend review period to 5 years from 3 years.

Rationale is as follows:

- Arrears levels for RIPS remain very low
- Ensures that we remain competitive (see competitor analysis overleaf)
- Simplifies the credit policy for interest only – clearer for channels.

Risk Mitigants:

- From an underwriting perspective monthly repayments will continue to be calculated on a C&I basis at the standard variable rate over a max of 25 years.
- Where the RIP proposal is not self-financing on a standalone basis (1.2 times RCR for high-income earners and 1.5 times for lower income earners) applicant's net disposable income is assessed to establish if the deal is affordable.
- Existing policy requirements continue to apply as follows:
  - Min. surplus of 6 months mortgage repayments (capital & interest / interest only as appropriate) available after all associated costs are paid for first time investors.
  - For all borrowers where it is proposed to cross charge another property the LTV cannot exceed 85%.
- New policy requirements regarding income for first time investors
  - Min income level of €40k (single applicants) and €60k (joint applicants) for first time investors (previous min income level of €50k for either single or joint applicants)

MARKET OUTLOOK:

- Growth in the housing market remains strong and is likely to continue in 2006 & 2007. End of year growth is forecasted at approx. 8-10% for 2005 and this level of growth is expected for 2006 with some slowdown in 2007.
- Demand for rental properties is set to continue, buoyed by a steady influx of non-nationals.
- As per the consumer price index rents had softened between 2002 and 2004.
- Recent surveys for the rental market indicate a modest increase in rent during 2005.
- Interest rates are at an all time low, though we are at the start of an upward cycle which is expected to see rates increase by 0.25% to 0.50%. We believe that the market is strong enough to absorb these interest rate rises.

COMPETITOR ANALYSIS:

At present we fall a little short of two competitors for interest only with our maximum LTV of 85%. IIB and EBS both go to 90% LTV. Review periods vary from 3 years (ptsb, IIB) to 10 years (BOI, ICS).

INTEREST ONLY COMPARISON

RIPS (Excludes PTSB and BOS rental cover proposition for experience investors)

	LTV First Timer	LTV Experienced	Review Period
IIB*	90%	80%	5 Years
EBS**	90%	90%	
First Active	85%	85%	
Ulster Bank	85%	85%	
AIB	85%	85%	
BOI	85%	85%	
ICS	70%	80%	3 Years
Existing ptsb	80%	85%	3 Years
Proposed ptsb	**90%**	**90%**	**5 Years**

*With IIB, minimum income of €50k for first timers and LTV on home loan must be < 70%.
** With EBS, LTV reduces to 75% on total if cross charging.

2. One Plan / Re-Finance Mortgages   Increase Max LTV from 85% to 92%

Background

The Bank's redemption's unit has advised that we have been losing existing mortgage business to IIB who offer up to 90% LTV on refinance deals. Under our current policy the max LTV allowed for Oneplans and re-finance cases is 85%.

For the purposes of this paper we have categorised re-finance cases as follows:

- Straight re-finance - re-financing existing mortgage plus additional funds for home improvements etc.
- Re-financing existing mortgage plus additional short term debt which is considered to be a riskier proposition

Proposal:

- Increase max LTV on Oneplan (existing customers) from 85% to 92%
- Increase max LTV for straight re-finance cases from 85% to 92%
- Increase max LTV for re-financing short-term debt from 85% to 92% with a cap of €20k for short-term debt above 85% LTV.

Rationale:

- Brings us in line with most of our competitors
- Reduces the potential for losing business to IIB
- Positive market outlook

Risk Mitigants

- Existing nets criteria continues to apply
- Retain existing audit trail for debts that are being re-financed
- Cap of €20k for short term debt being re-financed above 85% LTV

Home Loan Refinancing – Competitor Analysis

	Maximum LTV	Maximum Loan Amount	*Maximum Term*		*Maximum Amount for Short Term Debts*
permanent tsb	85%	No monetary value stated in Credit Policy.	40 years*	Investing in a business. No refinancing of recently drawn down loans – min 12 months loan history.	No restrictions apart from those in loan purpose exclusions
First Active / Ulster Bank	92% - Straight refinance 80% - If short term debts included	As per Credit Policy, no maximum limits apply.	40 years	Stock Market. Gambling. Conversion of short term stressed debt.	€40,000
IIB	90%	Up to €500,000 - 90%LTV €500,000 - €750,000 - 80% LTV Over €750,000 - 75% LTV	30 years	Investing in a business.	No restrictions
Bank of Ireland / ICS	90%	€550,000	30 years	Habitual borrowers/regular refinancers. Customers who are overborrowed. Speculative or high risk purposes.	No restrictions apart from those in loan purpose exclusions
AIB	92%	No details available.	35 years	No details available.	No details available.
Bank of Scotland	85%	All loans up to €1.5m – 85% LTV All loans up to €3m – 75% LTV All loans up to €7.5m – 60% LTV	40 years	No restrictions appear to apply.	No restrictions appear to apply.

* Max term per credit policy is 40 years and 35 years per TABS. IT work is required to implement the term of 40 years.

3. SSIA Saver Moratorium on mortgage and term loan payments – up to 6 months

Background:
SSIA maturities represent a significant business development opportunity for permanent tsb. In order to tap into this opportunity for borrowers it is proposed to offer approval in principle for SSIA savers for mortgage and term loans.

Proposal:
- Moratorium on home loan mortgage repayments up to 6 months
- Moratorium on term loan repayments up to 6 months

Impact of 6 months moratorium mortgages:
- Term remains the same
- Example €100k over 30 and 35 years at SVR (3.80%) Balance after 6 months = €101,900
- Takes 12 months to bring balance back to €100k over 30 years and 16 months to bring balance back to €100k over 35 years.
- Repayments increase by circa 3% on a 30-year term.

Impact of 6 months moratorium term loans:
- Term extended by 6 months
- Repayments increase by circa 3%

Rationale:
- Allows flexibility to customers with established savings record

Risk Mitigants:
- FTB – Max LTV at application - 98%
- STB – Max LTV at application - 90%
- Approval in principle is subject to normal lending criteria, with Basel 2 loan rating requirements i.e. all loans need to be rated prior to full approval.

4. Letter of Serviceability   Increase min income Level to €50k

Background / Proposal:
A query arose at Credit Committee regarding the decision to extend the Letter of Serviceability to all applicants where the LTV was less than 75%. It is now proposed to include an additional condition that a min. income level of €50k per annum is required.

Rationale:
- Letter of Serviceability introduced as a competitive response to Bank of Scotland's initiative. Bank of Scotland offer the option of a letter of serviceability for self-employed clients up to 70% LTV.

Risk Mitigants:
- Max LTV 75% (previously approved up to 92% LTV for High Income Earners)
- 3 months business bank statements (in addition to 3 months personal bank statements). Bank statements to be consistent with the level of income declared in the Letter of Serviceability.
- In addition to historical income - projected Directors Remuneration / Drawings required
- Existing nets criteria continues to apply
- Revised Letter of Serviceability meets the requirements of Basel 2.

GROUP CHIEF EXECUTIVE'S REPORT
JANUARY 2006

1. FINANCIALS

Work has commenced on the Group numbers for 2005 and it will be some weeks before we have final figures (results will be announced March 8). An unaudited P&L for the Bank is attached – nothing special to note against the reforecast we saw in December but a small bit better. [redacted] Non IL

2. SALES

Sales figures for the Group for 2005 are attached – each Division deals with their own numbers but we really had a cracking good six months everywhere – bank and insurance – and momentum increased rather than reduced in the last couple of months. The outturn is quite a bit better than our preclose sales information so they should be well received. [redacted] Non IL the Bank certainly shot out the lights in the second half, right across the business.

[redacted]

Non IL

[redacted]

Non IL

4. permanent tsb

RESIDENTIAL LENDING (including all RIPs)
December was a spectacular month for mortgage lending with residential drawdowns of €934m, 87% ahead of budget and 93% up on December last year bringing drawdowns for the full year to €6.3bn, 28% up on last year and 14% ahead of budget.

Mortgage approvals for the second half of 2005 were 70% ahead of the same period last year with drawdowns up 44% over the six months. This has resulted in a record work in progress pipeline going into 2006 which should ensure we achieve a very strong start to the new year.

We are confident that we have significantly outperformed the overall market over the second six months of 2005 and we are hopeful that our strong showing will have enabled us to recover the ground lost in the first six months.

Competition in the mortgage market continues to intensify with an announcement in recent days by Danske/NIB of a suite of two, three and five year fixed rate products priced at circa 50 basis points below where the market is currently clustered. For example the two-year product is priced at 3.29% (versus a cost of funds of 3.06%). The market had been pricing this product at circa 3.7%. Danske are also giving the customer a €1,000 payment to cover switching costs. This is a pretty racy offer and hopefully not a sign of the price positioning they plan to adopt going forward.

RESIDENTIAL MORTGAGE REDEMPTIONS
The value of redemptions in December was €264m, up €49m on the previous month. This reflects the traditional seasonal increase in redemptions. The total value of redemptions for 2005 was €2.38bn, representing 16.36% of the 2005 opening mortgage book. This compares to a forecast of 16.30% and an equivalent figure of 14.88% in 2004. We will be launching our tracker suite in Q1 2006 which will begin to tackle the underlying cause of early redemptions.

Minutes of a meeting of a Committee of the Board of Directors of Irish Life & Permanent plc (the Company) held at 56/59 St.Stephen's Green, Dublin, 2. on Tuesday the 16th January 2007 at 11.00 a.m.

PRESENT:	Peter Fitzpatrick	(in the Chair)
	Denis Casey	(Director)
IN ATTENDANCE:	Ciaran Long	(Company Secretary)
	Cathal MacCarthy (Group Chief Legal Officer).	

1. The Chairman noted that this was a meeting of the Committee established by resolution of the Board of Directors on 30 August 2006 (Minute 113 – ILP – 06) pursuant to Article 83 of the Articles of Association of the Company to enable approval of "normal course of business" issues to be granted on behalf of the Board between Board meetings in accordance with Board procedures.

2. The Chairman reminded the Committee that;

(a) at its meeting on 20 June 2006 the Board approved the proposal to enter the specialist (sub-prime) mortgage lending market as part of a joint venture arrangement with Merrill Lynch on the basis outlined in a memorandum circulated for that meeting.

(b) The Joint Venture entailed the Company investing €1 million as equity capital in the Holding Company for the Joint Venture and making a Working Capital loan facility available to the Operating Company of €7.5 million on a 50/50 basis with Merrill Lynch. This investment and loan facility had been approved by a meeting of the Committee on 6 November 2006.

(c) The Committee at its meeting on 18th December 2006 had;

- (i) approved the terms of the Joint Venture Agreement;
- (ii) resolved that it was in the best interest of the Company that the Working Capital Facility be entered into; and
- (iii) resolved that it was in the best interest of the Company that the Deed of Charge which reflected the security that would be given by Springboard Mortgages Limited and Joint Mortgage Holdings No.1 Limited be entered into.

3. The Group Chief Legal Officer informed the meeting that on the 19th of December 2006 the Joint Venture Agreement, the Working Capital Facility and the Deed of Charge were executed by all the relevant parties and the equity investment had been made.

4. The Chairman informed the meeting that the remaining steps to be taken in relation to the Joint Venture Agreement were the funding of the purchase on an ongoing basis of the mortgage loans by Springboard Funding No.1 Limited from Springboard Mortgages Limited which was the originator of the loans. The

Chairman reminded the meeting that it had been agreed in principle between [redacted] and the Company that the amount [redacted] would be made available on a 50/50 basis and in three separate tranches by the Company and [redacted] to Springboard Funding No.1 Limited on the terms as set out in the Warehouse Facility Agreement ("the Borrowings"). Springboard Funding No.1 Limited would provide a Deed of Charge over all its assets including all the mortgages that it would purchase utilising the borrowings from Springboard Mortgages Limited.

5. There was placed before the meeting the latest versions of the following documents;

   (i) Warehouse Facility Agreement;
   (ii) Sale & Purchase Agreement;
   (iii) Bank Account Agreement;
   (iv) Management Services Agreement;
   (v) Deed of Charge.

6. It was noted that in a number of these documents the Company were entering into them purely in its capacity as the Security Trustee.

7. The Committee having considered the contents of the various documents and having heard from the Group Chief Legal Officer that he was satisfied with the security being given to the Company and Merrill Lynch for the borrowings and that David Gantly had reviewed the margins being obtained by the Company and Merrill Lynch on the three tranches of the borrowings and was satisfied with same it resolved that it was in the best interest of the Company that it enter into the documentation and that where appropriate the Company Seal be affixed to any of the documents and same be signed by two Directors or the Secretary and one Director. It was further resolved if any changes had to be made to the drafts before execution and/or signing any one of the Directors, the Secretary, David McCarthy, Hilary Flood and Cathal MacCarthy to be authorised to negotiate and agree such changes.

8. It was envisaged that there would be some other documents that would have to be signed in the course of the coming days and weeks to complete the Joint Venture Arrangements and the Financing of same and it was resolved that any Director, the Secretary, David McCarthy, Hilary Flood or Cathal MacCarthy be authorised to negotiate the terms and conditions of any such documentation and sign them on behalf of the Company. It was further resolved that if any of the further documents required the affixing of the Company Seal that same was thereby approved and such documents be sealed and executed in the normal manner.

9. The draft minutes being before the meeting were considered and agreed and it was resolved that the Chairman be authorised to sign these minutes when available. There being no further business, the meeting then terminated.

Chairman:

Date: 16 day of January 2007.

Irish Life & Permanent / Merrill Lynch Joint Venture to target specialist mortgage market

Springboard Mortgages – the joint venture mortgage lender established by Irish Life & Permanent plc and Merrill Lynch – has commenced operations and has begun the process of offering its products and services to selected mortgage brokers across the country.

Springboard Mortgages is an independent company specifically set up to service the specialist mortgage market in Ireland. Shane O'Sullivan has been appointed as Chief Executive of Springboard. Prior to his appointment O'Sullivan held a number of senior marketing and business development positions with permanent tsb, Bank of Ireland Group and Ulster Bank Group.

Speaking recently, O'Sullivan said that the new business would focus exclusively on the specialist mortgage lending market; "The specialist mortgage market is a growing segment of the market in Ireland and a significant feature of mature mortgage markets in other countries. Current expectations are that specialist lending will account for up to euro 4 billion in loans within the next four to five years - a fourfold increase on its current value. Our intention is to roll out a series of products designed specifically for that market and establish a leading position in this sector."

The specialist mortgage market caters for a growing number of individuals who are experiencing difficulty in securing lending from traditional banks and building societies. They may be encountering problems because they have irregular income sources, they need to "self-certify" their income or because they may have had difficulty repaying loans in the past. Springboard will offer mortgage products to address the needs of such borrowers providing borrowers and mortgage brokers with a compelling choice in this important section of the market.

According to O'Sullivan the specialist market in Ireland is underdeveloped because so few companies have focused on it; "There's no doubt that consumers have suffered from a lack of competition and a lack of sophistication in this market to date. We're confident we can offer additional opportunities for mortgage borrowers through our offering. I believe our product range will be much more consumer friendly than those of our competitors and we will be priced competitively."

O'Sullivan said that Springboard had a range of products designed to take account of different customer needs; "We don't believe you can take a black and white approach to a borrower's position in this market. It's not a case of a borrower simply being either standard or non-standard. Our products will recognise the many different positions of borrowers within this market with lower interest rates for those whose profile is closer to a standard borrower. And our 'Bounceback' product is even designed to reward borrowers by lowering interest rates over time as a borrower's credit record with us improves. This is a real innovation and the first of its kind in the specialist mortgage market."

O'Sullivan said that Springboard Mortgages would offer interest only repayments to all customers. The company also has products designed for the non standard investor market and offers tracker and fixed rate mortgage options. Key interest rates range form 5.5% to 9.5% with a bias expected towards lower rate borrowing.

Shane O'Sullivan, Chief Executive , Springboard.

Springboard

"Current expectations are that specialist lending will account for up to euro 4 billion in loans within the next four to five years - a fourfold increase on its current value. Our intention is to roll out a series of products designed specifically for that market and establish a leading position in this sector"

The Springboard Team, from left: Philip O'Neill, Chief Financial Officer, Shane O'Sullivan, Chief Executive Officer and Kevin Curley, Chief Commercial Officer.

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD ON TUESDAY 29 JANUARY 2008 AT 8.00 a.m.
IN THE PENNYHILL PARK HOTEL, BAGSHOT, SURREY, UK

Present:

G. Bowler (in the Chair)
B. Byrne
D. Byrne
D. Casey
P. Fitzpatrick
D. Gray
E. Heffernan
R. Keenan
K. McGowan
K. Murphy
F. Sheehan

In Attendance:

C. Long (Group Secretary)
D. Gantly (5-ILP-08 to 8-ILP-08)
D. McCarthy (5-ILP-08 to 6-ILP-08)
J. Ferguson (13-ILP-08)
D. Guinane (13-ILP-08)
B. Young, L. Krause, G. Hickey)
M. Lane, T. Child, J. Vermeulen) (13-ILP-08)
S. Allibone, M. Healy, K. Murrell)

1-ILP-08 The minutes of the Board meeting held on Tuesday 13 December 2007 were approved and signed.

Arising from minute 129-ILP-07, Denis Casey confirmed that he would shortly be meeting with Gerard O'Toole to review his future business plans.

2-ILP-08 The minutes of the Remuneration & Compensation Committee meeting held on Tuesday 13 December 2007 were noted.

3-ILP-08 The minutes of the Irish Life & Permanent plc Board Committee meetings held on Friday 14 December 2007, Wednesday 19 December 2007 (x 2) and Friday 21 December 2007 were noted.

4-ILP-08 The Group Chief Executive's Report to January 2008 had been circulated and this was reviewed. Matters arising from the Report were as follows:

[redacted]

- The very low level of mortgage arrears at the year end was noted and the favourable impact that the stress testing process had was commented upon.

- The response to date and possible actions in the future from Brokers to the proposed lower rate of commission for mortgage introductions was reviewed.

- The discussions with Merrill Lynch relating to the cessation of their economic interest in Springboard were approved.
- Topics and issues discussed at recent meetings with Rating Agencies and the Financial Regulator were reviewed.
- The proposed acquisition of Dolmen Securities was discussed following which the Board approved the proposal to proceed with due diligence with a view to completing the transaction on the basis outlined in the Board papers.
- [redacted]

5-ILP-08 David Gantly made a presentation on recent credit market activities, including interest rate trends and current market outlook both short and long term. He also reviewed the current funding profile and the liquidity ratio relative to regulatory requirements. A range of possible future funding scenarios based on different levels of fund outflows were outlined together with the likely implications of such scenarios.

Following a full review of the issues presented it was agreed that further details on the relative movement from long term to short term debt be brought to the next meeting of the Board.

6-ILP-08 David McCarthy made a presentation on capital requirements within the Company with particular focus on 2008 and the range of options available. The implications of different approaches in terms of rating agencies, equity markets and debt markets were reviewed and how the overall approach might be affected by the differing capital requirements in different product lines. The presentation also identified the longer term capital issues that would be addressed in a revised Three Year Capital Plan to be brought to the June meeting of the Board.

7-ILP-08 The previously circulated Treasury Policy document was reviewed and David Gantly outlined the key changes from the previously approved policy. In particular it was noted that the changes arise from revisions to the regulatory liquidity requirements which came into effect on 1 July 2007.

It was noted that the VAR limit within the policy remains at €5 million on a 99% confidence level based on a ten day time horizon. However, due to the current market volatility, the Board had approved a temporary increase in this limit from €5million to €7 million at its last Board meeting. An extension of a further month was now approved in this temporary increased facility.

Following a full discussion and review the Board approved the Treasury Policy as presented.

The separate memorandum from Karen Scott outlining the breaches in VAR limits during the months of November and December was also noted.

THEME: B2

Effectiveness of banks' credit strategies and risk management

LINE OF INQUIRY: B2B

Appropriateness of credit policies, delegated authorities and exception management

GROUP CHIEF EXECUTIVE'S REPORT
JUNE/JULY 2005

1. FINANCIALS

At the time of writing we do not have numbers for the Group for the half year – we anticipate that we will have the results in time for the Board meeting but the main review/analysis session will be at the Audit Committee a week later. At this stage we have reviewed the bank numbers (seven month P&L attached) – these are very much as anticipated at the time of our preclose statement with disappointing Treasury results. In the insurance business we now expect better figures than at the time of the preclose – volumes, especially in Retail, and margins were strong and signs for the second half are good. [redacted] So overall we anticipate a reasonable outcome, although the bank numbers may be regarded as disappointing and will require careful presentation.

2. SALES

Seven months sales figures for the Group are attached – each business deals with its own results in some detail. On the mortgage front we were lagging the market somewhat, although we have picked up real momentum in July/August. [redacted]

3. permanent tsb

RESIDENTIAL LENDING (including all RIPs)
July was a mixed month for mortgages. Residential drawdowns were €595m, 3% up on last year but 13% behind budget for the month. Drawdowns for the year to date were just over €3bn, which is 10% up on last year though 3% behind budget.

The mortgage pipeline started to strengthen in July with applications and approvals in value terms up 21% and 6% respectively on last year. This pickup in momentum has accelerated during August with month to date applications 68% ahead of the previous year. The 100% First Time Buyer mortgage has been well received in both the retail network and the broker channel and is helping to stimulate sales activity. We plan to launch a National Mortgage Week on 29 August which should help sustain the excellent momentum.

Mortgage arrears remain at historically low levels and Frank McGowan will present a Credit update at the board meeting.

MORTGAGE MARKET SHARE

We have received the Irish Mortgage Council Qtr 1 2005 mortgage market share numbers which point to a loss of market share during the period. The overall numbers show that our market share fell to 16.6% in the first quarter down from 17.7% in Q1 2004 (full year 2004 18.7%).

The Branch share fell to 12.3% from 14.3%. We fared better.in the Broker market where our share in that market was 22.2% up from 22.0% for the same period last year. The branch numbers are clearly disappointing and we have work to do to ensure the branch sales engine is properly tuned and operating to its full potential.

RESIDENTIAL MORTGAGE REDEMPTIONS

The value of residential redemptions in July was €234m, of which approximately 50% moved to a competitor. Year to date, redemptions total €1.25 billion which equates to 14.70% of the opening mortgage book (on an annualised basis). This compares to an equivalent figure of 13.12% (€0.9 billion) at July 2004.

Research among customers transferring to a competitor indicates that 60% are leaving to get a better rate. Our standard variable rate of 3.55% is clearly uncompetitive when compared with tracker rates as low as 2.95% available in the market and increasing numbers of customers are figuring this out and moving their business away from us. We are preparing a set of proposals on how we should respond to this situation and we will present these to the Board at the October meeting.

COMMERCIAL MORTGAGES (including Comm. RIPs)

We are presently rebuilding the Commercial Mortgage area after losing most of the commercial team during the first half of the year. Commercial lending to the end of July totalled €272m unchanged on the previous year and 16% behind budget. The bank has been boxing well below its weight in the commercial mortgage market and strengthening our position in this area will be a priority for us.

CURRENT ACCOUNTS

The strong momentum in new current account openings is continuing. There were 3,554 new accounts opened in the month, 57% more than were opened in July 2004. This brings us to 26,069 new accounts opened year to date, 3% ahead of the seasonalised target. We will launch a National Switch Week in September to boost activity.

Year to date Current Account balances have grown by €227m versus €167m in 2004 and are €30m ahead of budgeted book balances at the end of July.

FILE NOTE

Subject: **IFSRA/100% mortgages**

After an Irish Times Board meeting yesterday Brian Patterson, Chairman of IFSRA, asked me about the 100% mortgage situation. He was aware that I had spoken to Pat Neary and expressed reservations about the introduction of this product to the market, bringing with it as it did a no moral hazzard mortgage as well as introducing the concept which had not previously been seen in the market of significant potential competition around credit standards. Pat had told me that they were " a principles based regulator" and therefore that they had reacted as we had seen. I told him that I thought that in some way it was a pity that somebody from the Regulator had not made it perhaps clearer in private to First Active that they would not welcome this development and that in the circumstances as one of the leading residential mortgage providers we were left with no option but to introduce a similar product. I also told him that I hoped that the principles based regulation theory would apply in the consumer area.

Brian was aware of this conversation but told me that at the press conference following the publication of IFSRA's Annual Report there was a very significant amount of discussion on this topic. I told him that at this stage it seemed to me that the horse had bolted and that it was a pity that the Regulator had not made any negative views known at the time that the product was first being discussed. While clearly the Regulator has no legal powers to prohibit particular products, they do have general prudential powers, including the threat of the imposition of incremental capital, and I said that I thought that most institutions would think long and hard before introducing something about which the Regulator had indicated a fundamental unhappiness. I said that I thought that it was now pretty late in the day and what IFSRA needed to do was to have the courage of their convictions on any particular issue.

Brian said that he fully understood our position.

DAVID WENT
27 July 2005

Copy: Non Executive Directors, Denis Casey, Frank McGowan, Peter Fitzpatrick ✓

CL

GROUP CHIEF EXECUTIVE'S REPORT
NOVEMBER/DECEMBER 2005

1. FINANCIALS

The final forecast for 2005 is attached as a separate agenda item with which Peter Fitzpatrick will deal in some detail. It confirms the progress of the Group that we saw in the 3rd Quarter numbers, *circulated* previously to the Board. The latest available P&L for the Bank (October) is attached. Overall the reforecast is a bit better than we would have expected two/three months ago as sales have been strong in all areas of the business. [redacted] banking, with margins at expected levels. [redacted] Overall we believe we will meet market expectations.

2. SALES

November sales figures for the Group are attached. Each Division deals with its forecast sales for the year in the individual reports – suffice to say we have had a very good second half year on the sales front and will exceed budget comfortably across the board. 2005 has been a pretty good sales year all round and we are well placed for 2006, where an obvious challenge is to maximise the SSIA maturity opportunity.

3. IRISH LIFE RETAIL

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] *Non IL*

4. permanent tsb

RESIDENTIAL LENDING (including all RIPs)
Residential mortgage lending continues to storm ahead. Applications in November were 95% ahead of the previous year and approvals were 119% up. The strong application and approval flows of recent months are beginning to manifest themselves in the funded numbers with November drawdowns

totalling €676m, 39% ahead of budget and 57% up on November last year. Drawdowns for the year to date are over €5.4bn, which is 21% up on last year and 6.5% ahead of budget. We are on course to exceed residential drawdowns of €6 billion for the year. The new HNW tracker launched in October has been a big success. We have already received 109 applications worth €156m and 108 loans are at approval stage with a value of €155m.

RESIDENTIAL MORTGAGE REDEMPTIONS
The value of redemptions in November was €215m, up €19m on the previous month. The value of redemptions has stabilised over the past 3 months and year to date redemptions represent 15.87% of the opening mortgage book (on an annualised basis), compared to an equivalent figure of 14.39% at November 2004. The 2005 forecast for residential mortgage redemptions is 16.30%.

COMMERCIAL MORTGAGES (including Comm. RIPs)
We are beginning to see a good lift in commercial lending activity. The strong flow of applications and approvals has seen the approved pipeline increase to €490m at end November up from €294m in September. Commercial drawdowns in November were €95m, up from €52m in October and 38% ahead of target for the month. The year to date shortfall is now 16% behind budget while 10% ahead of same period last year.

CURRENT ACCOUNTS
Numbers of new Current Accounts opened were very strong in November at 4,995, 169% more than November 2004 and 29% ahead of budget. This was driven by strong advertising and outbound activity from the switcher team. This brings to 46,136 the total number of new accounts opened year to date, 12% ahead of the year to date target.

Switch Current Account balances (excluding ATM account) increased by €21m in November, bringing total balances to €299m since launch in the beginning of February this year. The growing current account portfolio is beginning to manifest itself in transaction volumes: for the first time we exceeded 1.25m Laser transactions in a month (November 05). This is an increase of over 30% on last November.

Branch Term Lending
Branch term lending had a very good month with advances of €27.7m in November, up 52% on budget for the month and up 72% compared to November 2004 (figures exclude last year's tracker loans). Overall year to date €281.1m has been advanced, 3% ahead of budget.

PERMANENT TSB FINANCE
permanent tsb Finance advanced €37m for November against €30.1m in 2004, an increase of 24.1%. Year to date, €726m has been advanced an increase of 32.8% over 2004. Business with our non-core dealers is up 35% at €124.7m year on year.

CHL LENDING
Business issued in November was Stg £124m, up by 2% on November 2004 though slightly behind budget for the year to date. Applications reflect the difficult trading conditions and are down slightly on November last year. Approvals are 5% ahead of last year. The pipeline stands at a record level and both approvals and completions are expected to reflect this over the next few

months. CHL continues to outperform the market with business issued whilst retaining an arrears profile below the market norm.

Redemptions for November were Stg £44m and at Stg £404m for the year to date are better than budget and below the market norm in the UK. Arrears by value remain at a very low level of 0.03%. The average interest cover for RIP new business has improved slightly and stands at 152% in November from 148% in October. Average loan to value on completed loans moved slightly to 78% from 80% in October.

DEPOSITS

Total deposit balances grew by €27m in November with Notice balances experiencing strong growth while the Demand and Term (excluding SSIA) balances both fell. Total deposit (including SSIA) balances are now at €4,397m, €206m ahead of budget.

BANCASSURANCE

Bancassurance continues to perform strongly. Total issued Margin in November was €5.8m, 53% ahead of last year. At week 47, total margins were 31% ahead of last year. Total APE was €56.4m year to date, 20% ahead of 2004. In November, Savings and Investments Week was the focal point for sales activity. Record levels of Bond sales were registered, with very strong demand for the Irish Property fund in particular. Pension volumes remain strong since the tax deadline passed. Protection sales continue to benefit from the surge in mortgage business. On a full year basis the forecast is that we will finish circa 10% ahead of budget in Margin terms (24% ahead of 2004).

SERVICE AWARDS

permanent tsb won two service awards during October. The Professional Insurance Brokers Association (PIBA) voted **permanent tsb** best residential mortgage lender for the third year in a row, a fantastic achievement. The bank also won the Irish Mortgage Advisers Federation (IMAF) best commercial lender award.

FRAUD

[redacted]

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD ON TUESDAY 24 OCTOBER 2006 at 8.15 a.m.
IN IRISH LIFE CENTRE

Present:	G. Bowler (in the Chair)	D. Gray
	D. Went	E. Heffernan
	B. Byrne	R Keenan
	D. Byrne	K. McGowan
	D. Casey	K. Murphy
	P. Fitzpatrick	F. Sheehan

In Attendance: C. Long (Group Secretary)
B. Walsh (138, 139 &140-ILP-06)
G. Loughrey (140-ILP-06)
N. Saul & C. Maguire (143-ILP-06)

131-ILP-06 The Chairman opened the meeting by welcoming Roy Keenan to his first formal Board meeting following which the minutes of the Board meetings held on Wednesday 30 August 2004 and Thursday 21 September were approved and signed.

Arising from minute 118–ILP–06 the Chairman confirmed that the revised schedule of meetings for 2007 had been circulated following the last board meeting but further copies of the schedule were available at the meeting.

132-ILP-06 The minutes of a meeting of a Committee of the Board held on Monday 4 September 2006 to approve the Interim Financial Statements for 2006 were noted.

133-ILP-06 The minutes of the US Shareholders Committee meeting held on Monday 4 September 2006 were noted. It was noted that there had been very little response to date arising from the notices issued to Relevant US Shareholders.

134-ILP-06 The minutes of the Audit Committee meeting held on Tuesday 29 August 2006 were noted.

135-ILP-06 The minutes of the Remuneration & Compensation Committee meetings held on Wednesday 30 August 2006 and Thursday 7 September 2006 were noted. Eamonn Heffernan reported on a further meeting of the Committee which had been held on Friday 20 October at which Watson Wyatt, the consultants engaged by the Committee to advise on the review of Senior Executive remuneration, attended. Eamonn explained that it was planned to hold a further meeting of the Committee towards the year end to progress the review.

136-ILP-06 [redacted]

137-ILP-06 The Group Chief Executive's Report to September 2006 had been circulated and this was reviewed. Matters arising from a discussion of the Report were as follows:

- the Group's strong position in the pensions market has given it a high profile role in relation to media comment on the Government's plans on future pensions strategy
- the recent competitor activity in the mortgage market and the margin impact of possible pricing changes in different product categories both short and long term were noted as were the ongoing level of redemptions and the very healthy arrears position. Arising from the discussion it was agreed that a paper on the financial implications of various pricing strategies should be prepared for review by the Board at its strategy review session at the end of January
- the success in attracting new current accounts was noted as was the barrier created by the stamp duty levy to the development of new Visa accounts
- arising from the experience to date on developing business from SSIA maturities it was agreed that a paper comparing activity to date with the original projected activity should be prepared for review by the Board at its strategy review session at the end of January
- recent security related activity and the actions being taken to strengthen security in the future was reviewed but it was recognised that keeping ahead of developments, particularly technology related ones, was a formidable challenge.

138-ILP-06 Barry Walsh, General Manager Investor Relations, made a presentation on the Investor Relations activity since the publication of the 2006 Interim Results. A comprehensive report from Investor Relations on feedback from the market to those results had previously been circulated to Directors. Key issues noted as having been raised at the investor presentations were the levels of capital available to fund future growth, the net interest margin in the bank, the impact of SSIA maturities and potential changes in property market valuations. Overall it was noted that there was a strong positive market reaction to the Interim Results.

139-ILP-06 Barry Walsh made a presentation on the results of a recent independent Market Perception Survey of shareholders and the financial community, a copy of the results of which had previously been circulated to Directors. Barry explained that the objective of the Report, the last one of which had been prepared in June 2004, was to provide independent feedback for the Board on the market's view of the Group and to identify important issues and any concerns. It was noted that the key messages coming from the Report were the support for the Group strategy, the recognition of the risks involved in that strategy, the view that investment in the Group is a growth investment and the level of comfort in the management of the business. Key plans for investor relations activity for 2007 were also discussed.

140-ILP-06 Gerry Loughrey and Barry Walsh attended to make a presentation on the current status of Corporate Social Responsibility (CSR) related activity within the Group. The presentation focussed on the progress being made in implementing the CSR policy agreed in 2005 under the four CSR Pillars – Workplace, Marketplace, Environment & Community. In particular the achievements in the areas of environmental impacts, disability policy and practices and customer satisfaction programmes were noted as were the key initiatives under the community involvement programme i.e.

- [redacted] Non IL
- Foroige Youth Citizenship Awards by ptsb
- Ethnic Entreprenuer of the Year Awards by ptsb
- Support for Staff Charities & other community/charity/arts sponsorship requests by the Group.

The Board expressed its satisfaction with the initiatives taken and planned and congratulated management on the progress made in the CSR area over the past year.

141-ILP-06 David Gantly, Group Treasurer attended to present the draft Treasury Trading Book Policy Statement (TBPS) which had been circulated with the Board papers. It was noted that the TBPS had been drafted in accordance with the guidelines issued by the Financial Regulator who had also approved the draft as presented. It was also noted that the external auditors, KPMG, had reviewed the Statement and had confirmed;

1. That the criteria used in the allocation of positions is reasonable and in accordance with accounting policies.
2. That the policy with regard to hedging complies with the CAD implementation notice, and
3. That the policy for the valuation of positions is acceptable and in accordance with best accounting practice.

The Board, after due consideration, approved the draft TBPS as presented and noted that it will now, together with the audit confirmation, be re-submitted to the Financial Regulator for formal approval.

142-ILP-06 The previously circulated Compliance Update was reviewed by the Board. It was noted that no issues of concern had arisen for the Group arising from recent circulars to institutions from the Financial Regulator relating to Sales Process, the handling of SSIA maturities or Consumer Protection Codes and Minimum Competency requirements.

143-ILP-06 Niall Saul and Conor Maguire made a presentation on the Group Leadership Development and Succession Planning Programme within the Group. It was noted that the process used was very comprehensive but retained a considerable level of flexibility. It was also noted that most of the key vacancies in the organisation had been filled internally with some external recruitment particularly in relation to specialists. The strong level of functional expertise was discussed as was the challenge of developing more rounded business people, particularly through greater cross functional movement. The Board expressed its satisfaction with the management of the Programme as outlined.

144-ILP-06 A previously circulated memorandum relating to variations to the terms of a previously approved proposal (Minute 37-ILP-06) to exchange Hume House, Ballsbridge for Riverside 4 Block A, Sir John Rogerson's Quay was approved.

145-ILP-06 Arising from a previously circulated memorandum from Peter McCabe the Chairman noted that the Bank's US Commercial Paper Programme is currently supported by a USD 300 million facility (the Backstop Facility) made up of a USD 200 million 5 year facility provided by Danske Bank A/S (Danske) maturing in December 2007 and a USD 100 million 364-day facility provided by a group of 6 banks led by Danske and Calyon. The Chairman noted that it was proposed to replace the existing Backstop Facility with a single USD 300 million Revolving Credit Facility (incorporating a Swingline Facility) to be arranged by Calyon and Danske Bank A/S (the Proposal).

It was further noted that the Bank would be required to enter into certain documentation in connection with the Proposal.

The Directors considered the Proposal and IT WAS RESOLVED:

- that the Proposal be approved in principle;
- that a Committee of the Board of Directors consisting of Ms. Gillian Bowler, Mr. David Went and Mr. Peter Fitzpatrick be established pursuant to Article 83 of the Articles of Association of the Bank (the Committee) to finalise the terms of the Proposal and bring the Proposal to completion;
- that the Committee have all powers required to take the Proposal to completion, including power to negotiate and execute all documentation required on behalf of the Bank; and
- that the quorum for meetings of the Committee shall be two.

146-ILP-06 Arising from a previously circulated memorandum the Board noted the analysis of mortgages not within standard criteria.

147-ILP-06 The Board approved the use of the Company Seal for the period 23 August 2005 to 16 October 2006 as set out in the Secretary's Report.

148-ILP-06 The next Board meeting will take place on Tuesday 19 December 2006 in Irish Life Centre followed by lunch in Chapter One Restaurant, Parnell Square.

Chairman ...Gillian Bowler...

Date ...19·12·06...

GROUP CHIEF EXECUTIVE'S REPORT

1. FINANCIALS

The process of pulling together the H1 financial results has gone pretty smoothly. [redacted] Non IL [redacted] We are generally a little ahead of the pre close forecast in most areas. We will take the Board through the results and Peter and I will use the opportunity to road test our I.R. scripts and presentations. We have an extensive roadshow planned for September and October to reassure investors that the business is in great shape notwithstanding credit market turmoil and general negative sentiment about the Irish housing market. It is likely to be a tough sell but it really is essential to get out and make ourselves available to investors given the jittery state markets are in.

ESRI /PTSB HOUSE PRICE INDEX

We issued the half year House Price Index update on 10 August which showed house prices nationwide down 2.6% for the six months. A number of journalists had recently taken a poke at the reliability of the index so we used the half year update to get David Duffy of the ESRI to explain the integrity of the methodology used.

With continuing negative numbers being reported we were anxious not to fan the flames of an already excitable media on the subject of house prices. Niall O Grady did an excellent job communicating the update and dealing with the follow on queries/interviews.

RESIDENTIAL REDEMPTIONS

We are continuing to do well on the residential redemptions front proactively engaging with customers who demonstrate any sign of moving their mortgage. Redemptions in July totalled €269 million compared to a budget for the month of €358 million. Year to date redemptions are now running some €215 million below budget. The year to date redemption rate is 12.3% compared to 13.9% 2006 ytd. In case number terms 5% fewer customers have redeemed their mortgage this year compared with the same period last year.

We have set a new stretch target for the Redemptions team with the aim of finishing the year €400 million below budget.

We are also rolling out a new Annual Mortgage Review process across the network which should help to cement our relationship with our mortgage customers.

We need to stay at the top of our game in this area. As new business opportunities become more limited across the market it is inevitable that mortgage brokers will begin to look to churn opportunities in their customer base to generate income.

COMMERCIAL LENDING (INCLUDING COMM. RIPS)

There is lots of competitive pressure in the Commercial lending market as banks seek to make up the shortfall in residential lending on commercial deals. We are battling away and although funded numbers €824 million versus a budget of €1,058 million look sluggish we have a strong approved pipeline (€519 million).

We have had a good month in July with recruitment and we have strengthened the Branch network support team. Our branches are generally weak in the commercial lending arena and these additional resources will enable us to increase our training and support and get more of them actively pursuing this business.

PERMANENT TSB FINANCE AND TERM LENDING

permanent tsb Finance has advanced €802 million year to date down 3% on budget and 14% ahead of 2006. The car market has not enjoyed any obvious boost from SSIAs with growth at end July of just 5.96% up from 156,960 to 166,322 units. Our core distributors had an increase of 6.7% in units registered for the year with Opel, BMW and Kia having increases ahead of the market average.

Credit Update

permanent tsb

permanent tsb

2006 Half Year Credit Update

Board Presentation

Presented by: Frank McGowan
General Manager Credit
Aug-2006

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Credit Update

Main Features
30 June 2006

permanent tsb

	Issued Amount	Increase y-o-y
	€'m	%
Residential Mortgages	2,651	52
Equity Release / One plan	336	11
Rip's	1,331	170
Commercial Mortgages	349	172
Term Loans	123	35
Permanent TSB Finance	626	36
	Balance	
Overdrafts:	97	8
Visa:	79	30

Residential Mortgage Market Share

Q3 '05	18.0%
Q4 '05	20.9%
Q1 '06	22.0%
Q2 '06	23.5%

1

Ms Mary Burke
Head of Banking Supervision
Irish Financial Services Regulatory Authority
Central Bank
Dame Street
DUBLIN 2

10 October 2008

Dear Mary

Further to our telephone conversation of yesterday, I write to confirm that the book value of our exposure to the Icelandic banks as at 9 October 2008 was €92.4m.

As I mentioned in our conversation a particular issue which is causing us, and all other banks, considerable difficulty at present is our inability to obtain market prices in marking our available for sale ("AFS") portfolio to market due to the extreme lack of liquidity in the markets at present. While in normal circumstances marking to model provides a good proxy for market values, in the absence of two way market pricing, the extreme volatility in the market currently has rendered the yield curves/spreads used in these models at best unstable and at worst intuitively wrong. By way of example early last week Irish bank senior debt with a duration of less than two years (and therefore covered by the Government guarantee) was trading at 3.50 – 4.00% over Euribor at a time when 3 month US Treasuries were trading at a gross yield of 0.1%.

In order to reduce the risk to our regulatory capital ratios arising from these valuation difficulties we propose that in computing the mark to market adjustment to reserves, in addition to the AFS portfolio, we will also mark to market our debt securities in issue. This will provide a partial hedge against market movements in the AFS portfolio in that price movements will be in the same direction. We believe that this approach, which has been adopted by Barclays Bank and others in the UK, is in keeping with the mark to market principles and spirit of the CRD and reflects the fact that the cost of redeeming the securities debt today would be market value, and not par value given that we could buy these securities in the market and cancel the liabilities. The proviso that I would add to this proposal is that any positive mark to market adjustment in respect of liabilities should not be incremental to reserves but should be limited to the extent of any negative adjustment in respect of the available for sale portfolio.

I should welcome your initial views on the above proposal.

Yours sincerely

PETER FITZPATRICK
Group Finance Director

THEME: B2

Effectiveness of banks' credit strategies and risk management

LINE OF INQUIRY: B2C

Analysis of risk concentration in the base, the adverse economic scenarios and the impact on capital structure

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD ON TUESDAY 2 MARCH 2004 at 8.15 a.m.
IN IRISH LIFE CENTRE

Present:	R. Douglas (in the Chair)	B. McConnell
	D. Went	K. McGowan
	D. Casey	K. Murphy
	P. Fitzpatrick	F. Sheehan
	E. Heffernan	
Apologies:	G. Bowler	
	P. Lynch	
In Attendance:	S.A. Ryan (Group Secretary)	
	D. McCarthy, B. Maxwell (14-ILP-04 to19-ILP-04)	
	F. McGowan (20-ILP-04)	
	F. O'Sullivan (21-ILP-04 & 22-ILP-04)	

9-ILP-04 The minutes of the Board meeting held on Tuesday 3 February 2004 were approved and signed. Arising from minute 1-ILP-04, Brian McConnell reported that the proposal for the new mortgage system is still being worked on – an update, if not the full proposal, will be brought to the April Board meeting.

10-ILP-04 The minutes of the Audit Committee meetings held on Wednesday 11 February 2004 and Thursday 26 February 2004 were noted.

11-ILP-04 The minutes of the Remuneration & Compensation Committee meeting held on Monday 1 March 2004 were circulated at the meeting and these were noted.

12-ILP-04 The Chairman reported that the Committee with delegated responsibility for determining non-executive directors' remuneration had agreed that non-executive directors' fees be increased to €57,500 per annum with effect from 1 January 2004. The additional fee paid to the Chairman of the Audit Committee will be increased to €15,700.

13-ILP-04 The Group Chief Executive's Report to February 2004 had been circulated and this was reviewed. Matters arising from a discussion of the Report were as follows:

- Early 2004 sales figures for the various businesses are encouraging.
- [redacted]
- The Morgan Stanley Research Note on Irish Banks will be circulated to Directors.

- A note from Cathal MacCarthy on the Revenue Investigation of Isle of Man operations was circulated at the meeting and this was discussed. The Board noted that no quantification of a potential liability had been made since no such liability is foreseen at this point and that no disclosure requirements arise.

14-ILP-04 Peter Fitzpatrick, Bruce Maxwell and David McCarthy presented the Group Results for 2003. The total contribution was €365.2 million, up 3% on 2002 while the total profit after tax was €261.8 million, down 10% on 2002. Total EPS was 97.2 cents.

Detailed analyses of profit and sales in the Group were presented together with key ratios for the business.

15-ILP-04 [redacted]

16-ILP-04 The 2003 Preliminary Financial Statements were reviewed and were formally approved by the Board. In approving the financial statements the Board also agreed to recommend to shareholders a final dividend of 36 cents per ordinary share for the year ended 31 December 2003.

17-ILP-04 The Draft Operating and Financial Review was discussed. Two minor changes were agreed.

18-ILP-04 Peter Fitzpatrick informed the Board that Denis O'Connor's term as KPMG Audit Partner for Irish Life & Permanent plc will cease after the AGM in May 2004.

19-ILP-04 The Board complimented management in both the financial and actuarial areas for the very satisfactory manner in which the year-end figures had been produced and presented.

20-ILP-04 Frank McGowan presented the half-year Credit Review to 31 December 2003. This showed both retail and intermediary mortgages remaining strong with a recent reduction in arrears. A slowdown in demand for Term Loans/Overdrafts/Visa was noted. **ptsb** Finance showed an increase in business levels despite the slowdown in the car market.

The Board noted the schedule of exposures greater than €6.35 million approved by the Credit Committee from October 2003 to February 2004. The Board also noted three credit proposals, details of which were circulated, approved by the Credit Committee where elements of the cases were outside **permanent tsb's** Commercial Division Lending Policy.

Oireachtas

permanent tsb plc

Report to the Oireachtas Joint Committee of Inquiry into the Banking Crisis

Significant Changes

in the management of

property-related credit risk and funding/liquidity risk

2008-2013

Jeremy Masding, Chief Executive Officer

Jerold Williamson, Chief Risk Officer

1. Introduction

This report has been prepared by permanent tsb plc in response to a Direction made by the Joint Committee of Inquiry into the Banking Crisis, dated 15 January 2015, ("the Direction" and "the Committee" respectively) and in particular in relation to category 3 of the Direction in which the Committee requested "Board Minutes, or any other narrative report, for the period 2008 to 2013 relating to the banking crisis, lessons learned and corrective actions. If such information is not readily available, please create a document setting out any significant changes to the management of property-related credit risk and funding & liquidity risk which have been implemented since 2008, together with the reasons for those changes". In circumstances where "Board minutes, or any other narrative report" were not "readily available", ptsb has prepared this report. As such, this report has been prepared solely for the purposes of responding to the Direction. In this report, we have set out an overview of significant changes to risk management and oversight between 2008 and 2013, as well as setting out significant changes to funding and liquidity risk and property related credit risk over that period.

2. Corporate history

2.1. This report relates to permanent tsb plc ("ptsb"), a bank formerly named Irish Life & Permanent plc (IL&P).

2.2. IL&P changed its registered name to ptsb after the sale of its subsidiary, Irish Life Limited ("Irish Life"), in 2012.

2.3. Prior to the sale of Irish Life, the companies within the IL&P group operated their businesses in a federated structure which shared a number of common functions, including Group Risk, as will be shown below.

3. Risk management and oversight prior to 2009

3.1. Up to 2006, responsibility for risk management in IL&P had been by risk type, managed within business function and overseen by executive management and the board of directors ("the Board"). Board governance of risk was conducted through the Group Audit & Risk committee.

3.2. A report was commissioned from Oliver Wyman in 2006 which recommended a risk restructure. The key recommendation was the formation of a group level committee with a risk and capital mandate. The individual risk functions within the business were to have a dotted reporting line to the committee. The recommended restructure was largely implemented and remained in place until 2009.

3.3. Therefore, in 2008, the management of risk in the banking business of IL&P continued to be represented to a large degree within the individual credit, funding and operational risk functions. These business risk functions were run largely as silos reporting directly to their respective business management, who represented their functions' area of risk at executive committees. The business risk functions of credit, treasury and operations had secondary reporting lines to Group Risk. Therefore, oversight by Group Risk in 2008 was significantly different to what it was from late 2009 onwards as will be shown below. In 2008, Group Risk was a much smaller unit than it is today in the banking business alone.

3.4. The Group Risk Committee was an executive committee to which five executive committees had reporting lines as shown below. In turn, it reported to the board Audit & Risk committee.

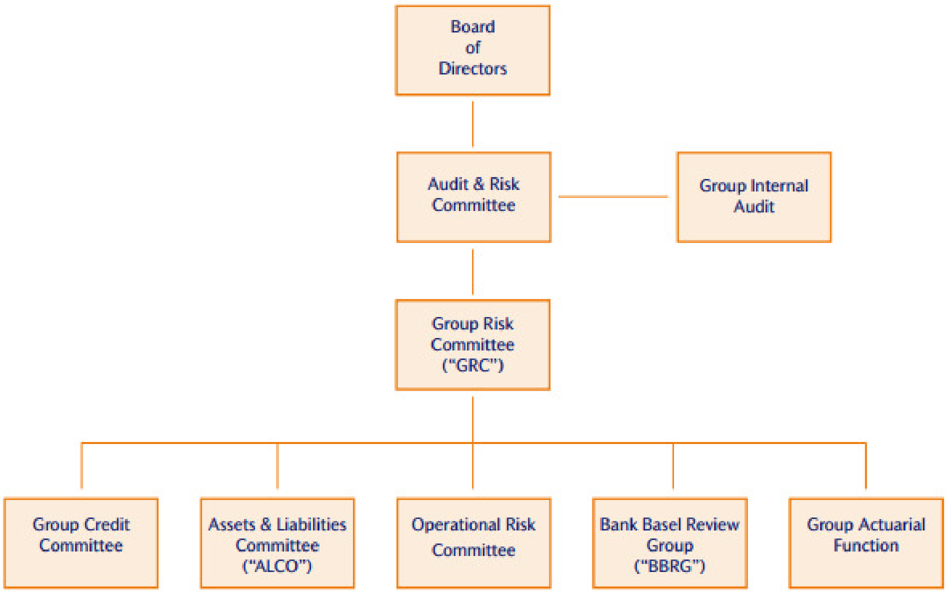

Fig.: Pre 2009 risk governance framework

4. Reports by Oliver Wyman, 2009

4.1. In February 2009 international consultants Oliver Wyman were engaged by the IL&P board to conduct a review of IL&P's corporate governance framework and a separate review of its Treasury function. This resulted from certain transactions in 2008 involving Anglo Irish Bank Corporation plc which had been unknown to the Board and caused it extreme concern.

4.2. Oliver Wyman reported to the board in May, 2009.

4.3. The review of governance concentrated on identifying and recommending emerging best practice.

5. Resulting Changes (Late 2009)

5.1. The effect of the Oliver Wyman report on ptsb's risk management was to accelerate and address emerging regulatory risk management trends.

5.2. In line with the Oliver Wyman recommendation, a new non-executive director was appointed to the board, with a high level of skill and experience in risk governance and management. He was also appointed as Chairman of a newly formed Board Risk & Compliance Committee.

5.3. The report introduced the three lines of defence model of risk governance.

5.4. In September 2009, a new Group Head of Risk & Compliance ("GHR&C") (subsequently renamed Chief Risk Officer) was appointed and work was immediately carried out on improving risk identification and resetting the risk appetite through the auspices of a strengthened ICAAP[1] process. The ICAAP process implemented Basel II[2] and brought a formality and rigour of approach and methodology to risk management process. Moves were commenced to integrate Planning, the production of the Financial Plan and the ICAAP process and this was fully delivered in the work carried out for the 2012 ICAAP and subsequently.

5.5. The scope of the new GHR&C was significantly extended in 2009. The GHR&C was appointed a member of the ExCo with an independent reporting line to the Chair of the new BRCC, whereas formerly the CRO had reported to the Finance Director. The new GHR&C had oversight across the Group and the reporting line for each business' risk and compliance function was changed to show direct reporting to Group Risk with a dotted line to the business. Formerly, the opposite had prevailed. A federal structure was, therefore, employed with the frontline risk functions remaining with the business but reporting centrally to Group Risk via an independent line. The new GHR&C had the right to attend all management committee meetings, even where not a member, had the right of veto over any committee decision and had direct access to the Chair of the BRCC.

5.6. By early 2010, a Board Risk and Compliance Committee ("BRCC"), separate from the Audit Committee, was introduced with six executive committees including separated banking and insurance ALCOs, Group Credit Committee, Group Operational Risk Committee, Group Counterparty Credit & Market Risk Committee and Group Compliance Committee reporting into it. Creating a separate BRCC Committee was a recommendation of the UK "Walker Review"[3] which reported at that time and has since been incorporated in the Central Bank's Corporate Governance Code for banks and insurance companies.[4] One benefit of this was that the risk agenda was addressed in a forum dedicated exclusively to risk matters.

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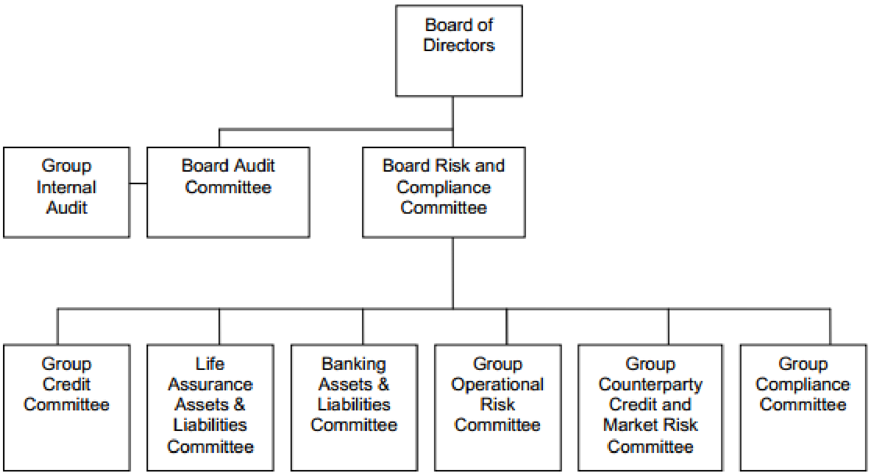
[1] Internal Capital Adequacy Assessment Process is required of banks pursuant to Basel II, Pilar 2.

[2] Basel II came into effect in the EU on the 1st January 2007 under the Capital Requirements Directive. It is an international business standard that requires financial institutions to maintain sufficient cash reserves to cover risks incurred by operations.

[3] In 2009, as a result of the sub-prime mortgage crisis in 2007, Prime Minister Gordon Browne commissioned Sir David Walker to carry out an independent review of corporate governance in UK banks and other financial institutions

[4] Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013



Risk governance structure since 2009

5.7. Whereas these changes in Risk governance and management in 2009 were significant, it might be said that subsequent changes in Risk governance were evolutionary, with significant increasing professionalisation of the Risk function in the years to 2013, for example:-

5.7.1. The Bank had been accredited for use of Internal Ratings Based ("IRB") credit models in 2007 and these were developed further over the period to 2013, with their associated 'scorecards' providing a means of measuring lending discipline that was more scientific than would have existed previously. The main portfolios exposed to this methodology are Home Loans and Buy-to-Let.

5.7.2. The role of General Manager Credit was expanded in 2010 to General Manager Credit and Financial Risk and an individual appointed with strong mathematical and statistical skills. The Credit Function (including its analytics unit) and Treasury Risk reported to this GM, who himself had a direct reporting line to the CRO. The Credit Committee continued to report to ExCo, as previously.

5.7.3. Also in 2010, the Irish Life Chief Actuary became Head of Risk Strategy for the Group. The IL&P Group Risk function remained small, with eight persons, until 2012.

6. New Management (2012)

6.1. In 2012, in the context of separation from Irish Life, the IL&P board appointed a new top management team to ptsb. All of the external hires were familiar from first-hand experience with what a first rate retail bank should look like.

6.2. Standards of reporting and governance were immediately tightened and consultants employed to expedite the identification of gaps and the actions needed to enhance standards of risk governance and management. For example the governance around the strategic development, production and implementation of new financial products has been substantially strengthened.

6.3. In 2012, at the behest of the Central Bank which was monitoring the changes which would ensue in ptsb upon its separation from Irish Life and the consequent dismantling of the shared organisational functions including Group Risk, the IL&P CRO commissioned Oliver Wyman to develop target operating models for the staffing of Group Risk in ptsb to implement a new coherent three lines of defence model to address risk management, monitoring and analysis in ptsb. This initiative was strongly supported by the new Chief Executive Officer. Most group risk staff after separation remained with Irish Life. Oliver Wyman identified the risk resources required for a stand-alone bank. By the end of 2013, ptsb had a risk function employing 35 people.

6.4. In 2012, the new ptsb management team identified the need to upskill those members of staff dealing with customers experiencing difficulties with repayment. It moved to restructure the Bank's core operations with the goal of developing a well-governed and strategically and financially attractive retail banking entity. A separate Asset Management Unit ("AMU") – subsequently split into Core and Non-Core - was formed and cutting edge processing and IT systems employed to address arrears. Feeding into this from the Customer Credit division was an in-house developed 'Decisioning Tool' which created advice for the AMU teams identifying the most suitable treatment to be offered to each customer in arrears. The Compliance and Operational Risk units of the Group Risk team monitor the work of the AMU from a second line perspective.

Banking Inquiry – Significant Changes to the Management of Liquidity Risk 2008-2013

The management of liquidity risk within the ptsb, and the wider ptsb Group underwent fundamental change between 2008 and 2013. The Group now has a stronger governance regime around liquidity risk management and this is reflected in the organisational structure and funding model together with the monitoring and reporting in place.

7. Organisation and Governance

7.1. As set out above, IL&P introduced significant change to risk management and governance following the Oilver Wyman report of 2009.

7.2. With regard to funding, ptsb has a liquidity policy which is set out by the Group's Asset and Liability Committee ("ALCO") and is now approved at least annually by the Board Risk and Compliance Committee ("BRCC") on behalf of the Board to ensure that it is consistent with the risk appetite and business plan of the Group. Any changes to the liquidity policy are reviewed and approved by the ALCO. Subsequent review and approval by BRCC is sought where these changes are of substance. This ensures that the management have a clear framework under which liquidity must be managed and which is consistent with the overall objectives of the Group.

7.3. Day to day management of liquidity risk is the responsibility of Group Treasury.

7.3.1. In 2008 the Group Treasury function of Irish Life and Permanent plc sat outside the Group's Banking Operations and reported to the Group Finance Director. Group Treasury is now integrated into the Bank's structure. The Group Treasurer is a member of the Bank's Executive Committee ensuring that from a liquidity perspective the Group Treasurer can input into all key executive decisions. Prior to this change, there was a reliance on individual executives discussing issues with the Group Treasurer and/or issues being brought to ALCO by the CEO or Finance Director.

7.3.2. Treasury controls and processes have changed significantly as a result of the:

7.3.2.1. regulatory changes contained in Basel III and other regulatory developments which have increased the frequency and level of reporting on liquidity.

7.3.2.2. internal changes following a detailed Treasury review by external experts Oliver Wyman in 2009

7.4. The membership of ALCO was reviewed and expanded to include the Bank's Consumer Credit Director. This ensures that lending decisions and the management of the mortgage back book are also factored in when ALCO is considering liquidity risk.

7.5. The role of Group Risk, which operates independently to Group Treasury, has expanded. Group Risk now has a defined role in the management of liquidity risk providing oversight and monitoring compliance with liquidity target limits, checking key inputs into liquidity and approval of credit limits for counterparties. Previously Group Financial Risk monitored compliance with liquidity target limits and reasons for daily moves, particularly if adverse trends emerged. It was also responsible, from March 2009, for developing and recommending counterparty limits to the ALCO for its approval.

7.6. The mandate for Group Treasury was reviewed and as a consequence of this the Group ceased proprietary trading while the investment policy was tightened to ensure that all assets meet the new liquidity standards i.e. high quality liquidity assets.

7.7. As at 31 December 2013 the Group was in the process on putting in place a contingency funding plan which sets out how the Group would manage a liquidity crisis. This includes the establishment of a Committee consisting of senior management from all of the key business functions. The plan which sets out a range of options available to the Group plan is reviewed by ALCO and approved by the BRCC at least annually. While it is outside the scope of the timeframe for this report, it is worth noting that in late 2014, there was a simulated exercise run against the Contingency Funding Plan, involving its committee, the learnings from which are in the process of being implemented.

8. Funding Model

8.1. The Group's lending book grew aggressively from €12.9bln in 2001 to €39.2bln in 2007. This growth was largely funded through the wholesale markets – customer accounts only grew from €9.5bln to €13.6bln in the same period. The Group became an active participant in short term wholesale markets. At 31 December 2006 20% of the Group's funding was short term commercial paper and a further 10% was other short term unsecured lending facilities. The Group's position was highly precarious in 2008 due to its high level of short term funding and therefore its high loan to deposit ratio. The Group was fortunate to have residential mortgage assets which enable it to access European Central Bank ("ECB") funding but it was also necessary to access Emergency Liquidity Assistance ("ELA").

8.2. From 2007 as wholesale markets became more difficult to access the Group became more reliant on funding secured on both its ROI and UK residential mortgage books. This funding was largely accessed through system funding with limited market access. As both the amount required increased and the advance rates declined due to declining credit quality the Group also accessed ELA funding for a period between 2011 and 2012.

8.3. Significant changes in the funding model included:

8.3.1. The Group has formal funding plans in place which incorporate liquidity measures. These are integrated into the Group's planning cycle and are agreed with all the relevant stakeholders and presented to the Board as part of the approval of annual budgets and the medium term plans. In the past this was not the case and the significance of this change is the Board when approving business plans has visibility on the liquidity consequences. The loan to deposit ratio has changed significantly from 2008 when it was 271%, to 151% at 31 December 2013.Customer accounts grew to €19.5bln by 31 December 2013 which represents 56% of the Group's funding base. Retail deposits are now a key component of the funding model. The Group has developed customer behavioural analysis which monitors the behaviour of retail deposit customers. This behaviour analysis is produced independently from Group Treasury is reviewed regularly by ALCO and forms a key input into the liquidity and funding model. In addition all changes to deposit pricing must be approved by ALCO.

8.3.2. The Group has not availed of ELA since April 2012. The funding model in 2013 is focused on deposits and secured funding.

8.3.3. The Group has put in place secured market funding on its UK residential book and in November 2013 raised market funding secured on it Republic of Ireland residential book.

8.3.4. The Group's mortgage books are the main source of secured funding for the Group. In the past, there was much reliance on short term unsecured funding. The Group invested Operations and IT resources into maximising the availability of this funding using cross-functional project groups to identify mortgages which qualify and ensuring all of the necessary data is available to meet the ECB eligibility criteria. The effect of this has been to build up the Group's liquidity buffer to enable the Group to withstand liquidity stresses.

8.3.5. This new funding model takes into the consideration the new Basel III liquidity measures which will come on stream from 2015. These new liquidity measures include the Liquidity Coverage Ratio ("LCR") which requires the Group to have sufficient liquidity assets to cover 30 days of outflows under a moderate stress.

8.3.6. The Group has implemented revised pricing models for new lending products. These models focus on economic value and include pricing for cost of funds. This cost of funds builds recognises the liquidity risk by building in measures such as re-finance multiples and the need to fund new business from stable sources of funds . These models will continue to evolve as further new liquidity measures such as the Net Stable Funding Risk come on stream. Previous models were focused on profit measures only.

9. Significant changes in Liquidity Monitoring and Reporting

9.1. All of the Bank's internal liquidity reporting has been redesigned since 2008 and is reviewed on a regular basis to ensure that the information is clearly presented and remains relevant and appropriate. Reporting is in place for all of the areas which are responsible for management of liquidity risk including Group Treasury and Risk, ALCO, BRCC and the Board.

The rationale for this change is to ensure all areas which have a role in liquidity management are getting appropriate reporting.

9.2. There has been an expansion of the formal monthly reports to ALCO to include not just liquidity ratios but also the macro-economic environment, liquidity concerns and mitigating actions as well as emerging opportunities. The ALCO reporting covers all the key aspects of the funding model including deposit trends and collateral availability and new liquidity measures being introduced. The rationale for this change is to ensure that ALCO receives a full overview and facilitates discussion of not only the numbers but the qualitative aspects ensuring that the key executives understand the liquidity position and risks.

9.3. The Board receives regular updates on liquidity both directly and through the BRCC – these updates include formal reports while the Group Treasurer also attends BRCC and Board meetings regularly. The rationale for this is to ensure the Board gets the opportunity to discuss with key Executive Management the liquidity position and likely developments. The Group has developed liquidity early warning indicators. These are both qualitative and quantitative and include general market activity and ptsb specific factors. Early Warning Indicators are monitored on an on-going basis by Group Treasury and reviewed monthly by ALCO. The rationale for this change is to highlight any emerging issues which might have negative liquidity consequences as soon as possible to allow management to put plans in place.

9.4. During 2013 the Group had a number of on-going projects which completed during 2014 these including the implementation of daily survival horizon reporting and stress testing which examines the impact of possible liquidity events on the survival horizon. The output from the stress testing is reviewed by ALCO and BRCC as well as senior Treasury and Risk Management. It also feeds into both management and Board considerations when reviewing liquidity risk.

Significant changes to the management of property-related credit risk in ptsb, 2008-2013

10. Introduction

10.1. The context of the significant changes in the management of property-related credit risk in ptsb during the years 2008 to 2013 is:

10.1.1. The recession which followed the financial crises of 2007-2008

10.1.2. The consequent low new lending levels

10.1.3. The fundamental change in Group Risk following the Oliver Wyman report in 2009

10.1.4. The new ptsb management team appointed from 2012 and consequent management changes, including management of credit risk in ptsb's anticipated future lending market.

10.1.5. The focus on managing the loans previously written through the Asset Management Unit ("AMU") established in 2012, which is detailed further below in section 19 below.

11. Significant tightening of credit criteria from 2008 onwards:

11.1. Whilst ceasing certain types of new property lending, and generally reducing lending significantly during the 2008-2013 period, ptsb continued to review and revise its credit policies in this period to reflect its property-related credit risk appetite and, in particular, to strengthen its affordability criteria, as follows:

11.1.1. The Loan to Value ("LTV") ratio was reduced on all loans types

11.1.2. Maximum loan terms were reduced

11.1.3. Interest only mortgages were ceased

11.1.4. Affordability testing evolved to a detailed affordability assessment

11.1.5. Branch credit decision discretions were removed and centralised in Credit Risk

11.1.6. Buy-to-Let lending was suspended and reintroduced on tighter lending criteria

11.1.7. Commercial property lending ceased

11.1.8. Tracker lending ceased

12. Strategic Review 2012

12.1. The most significant changes in risk management in credit took place following the appointment in 2012 of a new executive management team which was then tasked with restructuring the ptsb's core operations with the ultimate goal of developing a well-governed and strategically and financially sound retail banking entity.

12.2. The 2012 strategic review, which underpinned the restructure of the company, identified the need for a more clearly defined Credit Risk Appetite in terms of the Board of Directors' tolerance for risk and willingness to grant.

12.3. The strategic review also highlighted that the Credit Risk Management function required significant investment and enhancement to ensure the effective delivery of the Risk Appetite. This was to be achieved by redesigning and implementing the correct Credit Risk Structure, Oversight and Analytical capability to control and realign the inherited Credit Risk Function and manage the future credit risk scenarios.

13. Significant credit risk management changes 2012 and 2013.

13.1. As a result of the 2012 review, ptsb has developed

13.1.1. A Compendium of Credit policies to cover full loan life cycle risks

13.1.2. A robust credit risk governance regime

13.1.3. Portfolio Concentration limits

13.1.4. Effective Collections strategies, managed by the AMU (see section 19 below)

13.1.5. High quality management information for all key/relevant stakeholders

13.2. This was achieved through the strengthening of the Group Risk function generally and by restructuring the Credit Function.

14. Governance - Defining the Credit Risk Appetite

14.1. Prior to 2012/2013 the Bank's Credit Risk appetite lacked a level of clarity and important credit / product decisions were informed as much by the requirement to respond to competitor offers; as by the Bank's own internal appetite for credit risk. Prime examples of important decisions impacted by this issue were the introduction of 100% Home Loans and the introduction of an asset-based assessed for Experienced BTL Investors in 2005.

14.2. Since 2012 ptsb has a more more clearly defined its Credit Risk Appetite in terms of its independent tolerance for risk and willingness to grant credit based on product type, customer type, collateral concerns and various other risk factors.

14.3. The Risk Appetite has now been embedded as a fundamental pillar of the Bank's credit strategy design and is underpinned by the following primary goals:

14.3.1. To meet targeted Economic Profit / Loss criteria

14.3.2. To operate within predefined organic net balance sheet annual lending growth rate rates

14.3.3. To meet forecasted performance levels for (i) Default Rate and (ii) Provision Stock Rate

14.3.4. To ensure that the mix and quality of new business is within targeted levels

14.3.5. To ensure that the mix of new business is within the agreed concentration limits

14.3.6. To ensure that high levels of Customer and Asset quality are maintained

14.3.7. To ensure that the optimum level of portfolio monitoring is maintained (with appropriate triggers & actions).

14.3.8. To monitor ongoing realised credit losses against projected base and stressed case forecasts.

14.4. A robust governance regime has been implemented in relation to Risk Appetite which is now subject to annual review by the Board to ensure it remains appropriate.

14.5. Metrics are in place to aid in the identification of high risk cohorts and a suite of high quality MI has been designed to provide Senior Management and the Board with ongoing insights into new business and back-book portfolio quality and to identify any emerging trends, allowing for identification, escalation and early remediation.

15. Monitoring Risk appetite

15.1. Prior to the crisis in 2008 the Bank's monitoring of its Risk Appetite was somewhat lacking in structure; with no reliance on portfolio concentration limits. The implementation of portfolio limits is fundamental to the application of the Risk Appetite and the embedding of same in the Group's organisational culture.

15.2. To ensure that the Risk Appetite becomes embedded in the organisation's Risk Culture, a set of formal portfolio concentration limits were developed in 2012/13. These were formally implemented on 30 January 2014 and so a detailed analysis of them is outside the temporal scope of this report. However, in summary, these limits have been designed to mitigate for known/ traditional high risk profiles or to reflect past experience of exposures that proved to be higher risk. The limits focus on new business but a back book limit is included within the risk appetite framework.

15.3. Portfolio limits and concentration risks are now formally reported to Group Credit Committee on a monthly basis in summary and detail form which includes overview, trends, limit categories and detail on mitigation plans proposed where a particular parameter is close or at its limit (if necessary).

15.4. Each meeting of the BRCC is updated on a summary basis (trends & overview) plus detail on any mitigation plans proposed where a particular parameter is close to or at its limit.

15.5. Summary data is also presented to each Board meeting.

16. Credit Policy

16.1. Credit Policy Overview

16.1.1. Prior to 2013 the Bank's formal credit policies were mainly focused towards new lending and while detailed process documentation existed in relation to other activities (in terms of distressed account restructure etc.), these were not subject to the same level of oversight as the formal credit policies.

16.1.2. As part of the preparatory review supporting the redesign of the Credit Risk Function, this lack of formalised policy documentation in relation to the full credit lifecycle was identified as a significant gap.

16.1.3. Consequently it was agreed that written credit policies represent a cornerstone of the Bank's credit risk management; supporting the identification, measurement, monitoring and control of credit risk in line with Risk Appetite.

16.1.4. Hence the Bank committed to putting in place a compendium of credit policies which cover the full credit lifecycle from initial loan origination and making the lending decision to resolution.

16.1.5. These policies have now been embedded and form the basis of the design and implementation of robust credit processes.

16.1.6. A robust credit policy governance process has also been implemented.

16.1.6.1. The full credit policy is subject to annual review by the Board Risk & Compliance Committee to ensure it remains fit-for-purpose.

16.1.6.2. Adherence to the policy is monitored by a newly-formed dedicated Quality Review Team within the Customer Credit area, with identification and escalation of issues to the Chief Credit Officer and Group Credit Committee. The process tracks the various stages of the credit lifecycle from underwriting to loan resolution.

16.1.7. A new Credit Policy Governance Regime has been implemented whereby amendments require approval for the Group Credit Committee and BRCC where they:

16.1.7.1. Increase or decrease maximum loan amounts and/or maximum LTV OR;

16.1.7.2. Increase or decrease the availability of certain credit products / forbearance options to higher / lower numbers of customers OR;

16.1.7.3. Impact on the effective governance of the Group's credit function or the Group's ability to monitor and control compliance with the Risk Appetite and/or the Capital distribution & usage OR;

16.1.7.4. Relate to changes to methodologies employed in the identification of cases for impairment and/or the calculation of impairment amounts.

16.1.8. A dedicated team has been appointed within Credit Risk with responsibility for managing the policy change process and in particular

16.1.8.1. Ensuring any potential impact for the Group's risk appetite/restructuring plan has been considered when arriving at the proposed solution

16.1.8.2. Ensuring policy is subject to the correct sign-off (including the requirement for Board review and approval of all policies on an annual basis).

16.1.8.3. Ensuring the application of policy is subject to a sufficient level of oversight and quality assurance.

17. Asset Management Unit (AMU)

17.1. The AMU was established in 2012 by the new Management Team to address the large number of arrears cases in existence at that time.

17.2. It is a specialist division within the Core Bank focussed on maximising the value of non-performing loans through:

- Cash Collections
- Resolution Treatments (Restructures)
- Voluntary Sale or Surrender
- Litigation

17.3. The Unit embraces all appropriate regulatory Codes and Guidelines and ensures that an assessment of a customer's affordability and sustainability is central to all long term decisions made.

17.4. A key deliverable for the Unit was the establishment of capability and capacity to effectively manage the challenges that it faced. This required the implementation of a transformational change programme over the last number of years incorporating:

- Introduction of a wide range of enhanced strategies
- Revised Policies and Processes to support strategies
- Enhanced Technology and Operations
- New MI (Reporting)
- An re-configured organisation structure
- A step change increase in staff numbers
- Staff training
- Embedding of a culture of best practice
- Support for a period from external practitioners with a depth of experience, enabling capability and best practice transfer to the organisation

17.5. The Unit has evolved over the last 2.5 years to a point where it believes it is a leading retail arrears management unit in Ireland.

MEMORANDUM

TO: BOARD OF DIRECTORS, IRISH LIFE & PERMANENT

FROM: FRANK McGOWAN, GENERAL MANAGER – CREDIT, **permanent tsb**

SUBJECT: EXCEPTION TO POLICY

DATE: 5TH OCTOBER 2005

I write to advise the Board of the following proposal, recently approved by Credit Committee where an element of the case is outside **permanent tsb** Commercial Division Lending Policy.

Borrower: [redacted]
Amount: [redacted]
Term: 20 years
New exposure: [redacted]
Security: [redacted]

Repayment: Interest only facility for first 3 years of the term. Overall term of 20 years. Rate is equivalent to EURIBOR plus a margin of 1%.
Exception to Policy: This facility is outside policy based on the Loan to Value of 85%

- Applicants are significant property developers operating in Ireland and the UK and the application is being made in their personal names.
- This development was completed by applicants as a joint venture and finance now requested is to put the development finance onto a long term facility. The [redacted] is anchored by [redacted] with 10 units still to be let.
- Debt servicing is poor on a C&I basis and interest cover on existing rentals agreed is low at 1.28:1.
- While Net Worth statements for the Borrowers are not available it is understood that both have considerable Net Worths. In this context the Committee noted the full-recourse structure of the facility on a joint and several basis.
- [redacted]
- The Committee was advised that it could take up to 3 years for the remaining properties to be fully-let. The facility has been requested on an interest-only repayment basis for the initial 3 years of the term.
- The issue of pricing was discussed and it was agreed that Commercial Division is to seek a meeting with the introducing Broker, to discuss an increase of 0.25%, in the margin charged on the facility, until such time as the properties are fully let.
- The Committee noted the policy exception above but approved the facility as proposed.

Frank McGowan

THEME: B3

Effectiveness of banks' funding, liquidity strategies and risk management

LINE OF INQUIRY: B3A

Appropriateness of funding sources - the mix, maturity profile and cost

Presentation to Board Meeting 20/4/2004.

Irish Life & Permanent plc

Liquidity Policy Document 2004

David Gantly, Group Treasurer

Irish Life & Permanent plc

Liquidity

- Banking Liquidity Risk
- Manage banking Group Liquidity
- 25% Regulatory Requirement
- Liquidity Requirement has grown in line with Balance Sheet growth

2

Irish Life & Permanent

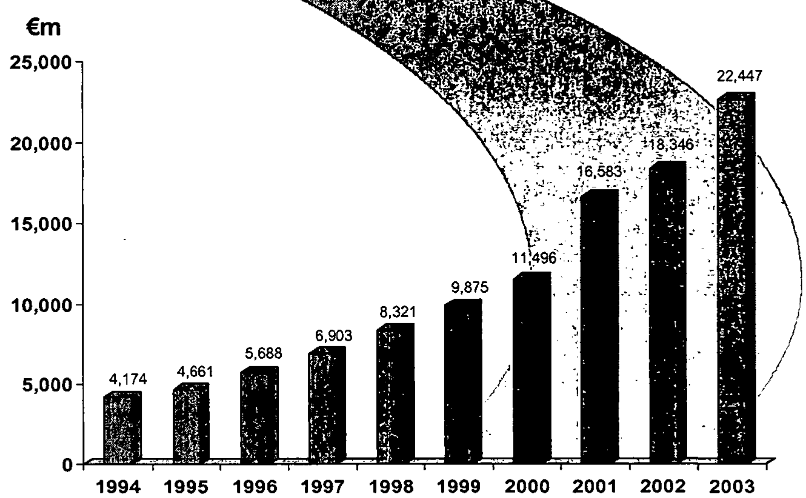
Funding Requirements - 2004

	€m
Forecast growth in loans and advances	3,500
Required liquidity	1,150
	4,650
Maturing Term debt	1,100
	5,750

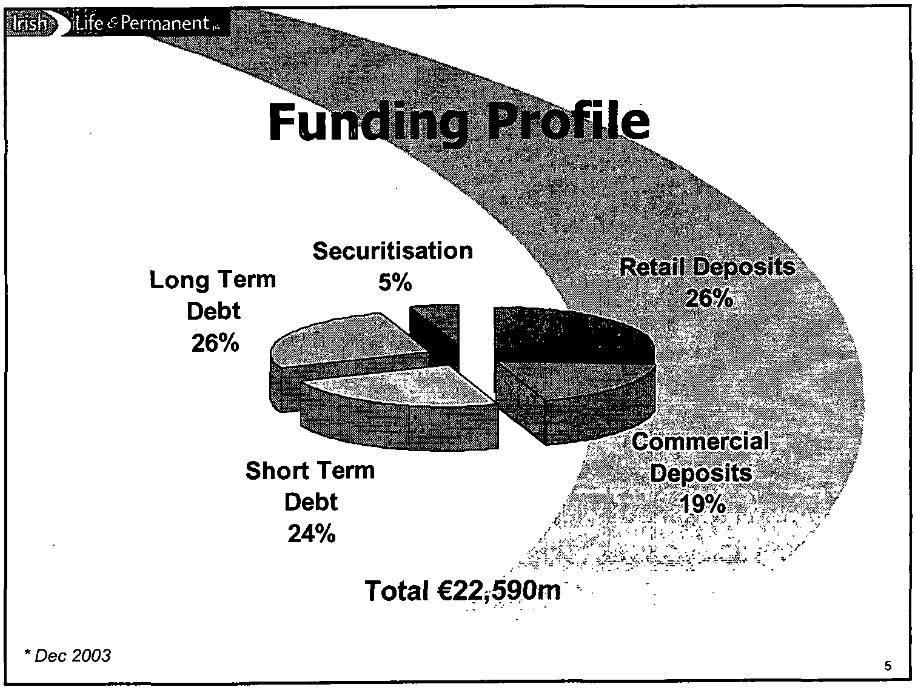
3

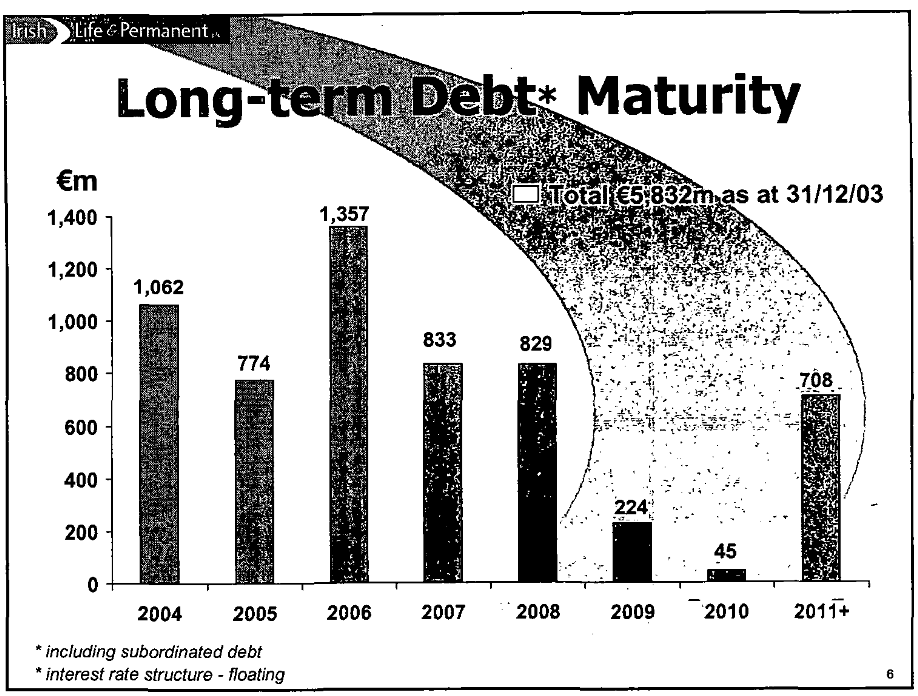
Irish Life & Permanent

Banking Asset Growth



4


Irish Life & Permanent
Funding Profile
Securitisation
5%
Long Term
Debt
26%
Retail Deposits
26%
Short Term
Debt
24%
Commercial
Deposits
19%
Total €22,590m
* Dec 2003
5


Irish Life & Permanent
Long-term Debt* Maturity
€m
Total €5,832m as at 31/12/03
1,400
1,200
1,000
800
600
400
200
0
1,062
774
1,357
833
829
224
45
708
2004
2005
2006
2007
2008
2009
2010
2011+
* including subordinated debt
* interest rate structure - floating
6

1 Doc

Irish Life & Permanent plc

Treasury Policy 2005

David Gantly, Group Treasurer
21st June, 2005

Activities

- Liquidity Management & Funding
- Risk Management
- Economic Return from Trading & Management of Liquid Assets

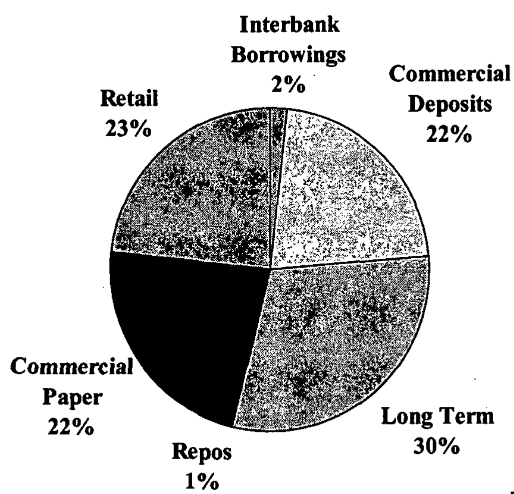
2

Liquidity Policy

- Liquidity Management is a Core Business Activity
- Regulatory Requirement 25%
- Composition Reports
- Reliance Reports & Limits
- Dependency Reports
- 30 Day Rule
- Diversification of Funding Sources

5

Funding Profile as at 30 Apr 2005

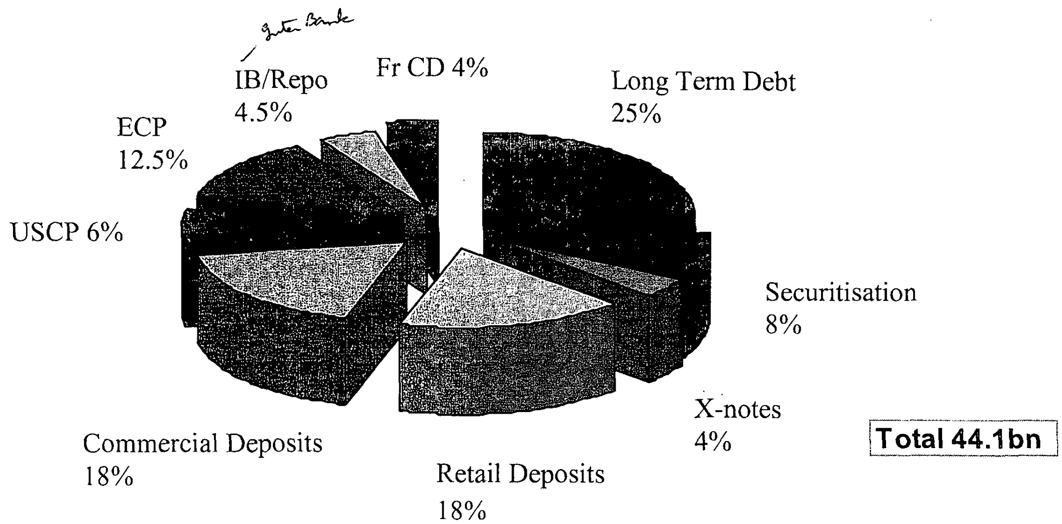


- **Funding Target €7.25bln**
- **Year-to-Date €3.2bln**
- **Public US$600 5 Yr FRN**
- **51 Private Deals €1.5bln**
- **US CP & ECP €666**
- **Commercial Deposits €500**

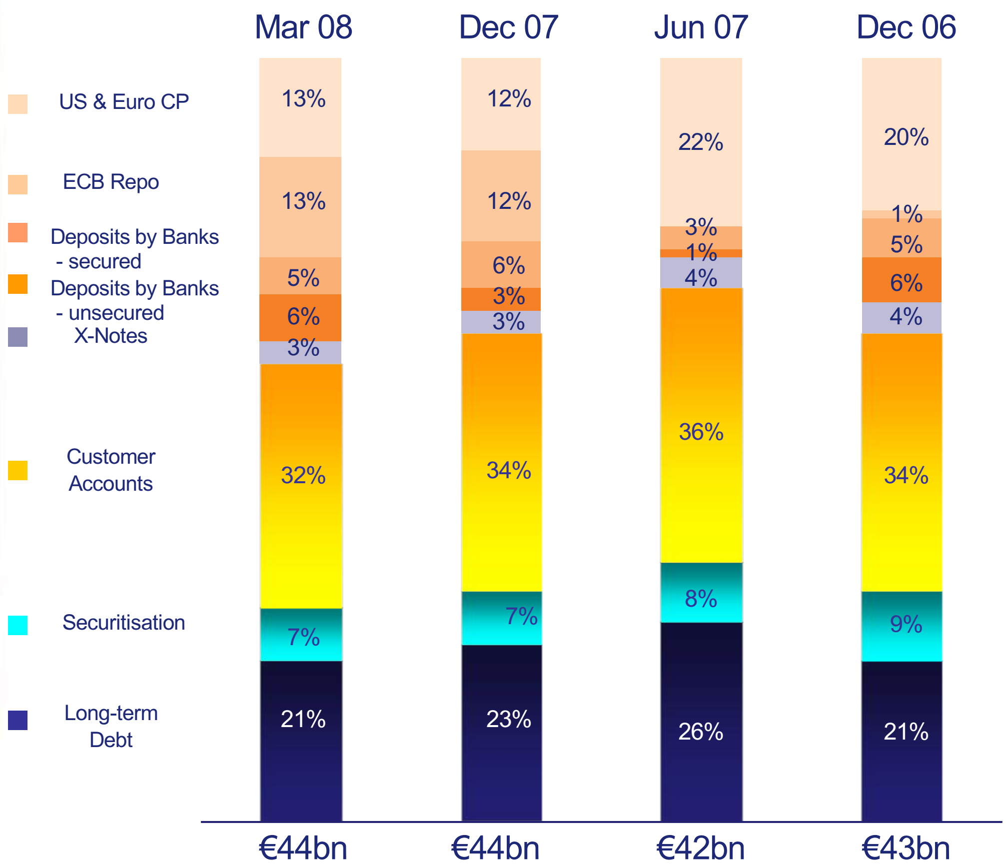
- **Securitisation GBP450**
- **Extendable Note US$750/1000**

Total €27 bln

Funding Position IL&P



permanent tsb - Bank Funding Mix



Briefing for Minister's Meeting with Chair and CEO of Irish Life and Permanent 11.30am Friday 11 September

Attendees:-
Gillian Bowler (Chair)
Denis Casey (CEO)

Context
Irish Life and Permanent (IL&P), along with Irish Nationwide and EBS is one of the smaller-bracket Irish banks and grew rapidly during the property boom lending aggressively to become the largest player in the Irish residential mortgage market with a residential loan book of €36bn. It also developed an above average reliance on wholesale funding (60% approx.) which has been additional source of concern for investors and credit rating agencies.

These concerns appear to have been somewhat receded by recent announcements the bank has made about how it has met its funding needs. However, there is a question about the sustainability of the bank's approach which was based on 'internal securitisation' of assets.

The main strategic issues for IL&P are:-
While its primarily residential loan book is considered to be relatively robust, there is a question-mark over the long-term sustainability of its business model given the change in the economic and financial environment.

- While its **insurance company Irish Life** is a valuable asset, the value of IL&P s banking business - other than for a larger bank that is seeking a retail network - is questioned by analysts

- The bank is currently heavily dependent on **ECB funding** to the tune of €8bn. approx. Unless the bank can diversity its funding in advance of its end-year results the market reaction could be very severe

- In common with the other smaller institutions, the bank is under pressure from the larger banks in relation to **retail deposits** on account of the 'flight to quality'

- As illustrated by recent events in the UK, **consolidation** will be a major theme of market developments in the retail banking sector. In view of the high level of risk aversion that is likely to continue into the future, smaller banks with lower credit ratings are increasingly going to find it difficult to survive as independent entities

Issues that might be raised by IL&P and suggested responses can be found overleaf:-

Increase in the level of protection under the Deposit Guarantee Scheme. This is very significant competitive issue for IL&P as savers feel more secure in larger banks such as Bank of Ireland and AIB that are considered "too big to fail".

- This issue remains under constant review.
- It is essential to strike a balance between maintaining savers' confidence in the Irish banking system and not sending out a signal that Irish banks are weak.
- An announcement in the midst of the current crisis is likely to be interpreted internationally as confirmation that the financial system is vulnerable.
- It may, however, be necessary to confirm our intention to increase the limit to maintain confidence among retail depositors

Need for a blanket guarantee to depositors

- This could not be restricted to depositors and would need to be extended to all lending to Irish banks.
- The State would essentially be saying that the whole Irish banking system needed to be underpinned by the State.
- The likelihood is that wholesale funding would dry-up for the Irish banks overall. The State would be taking all the risk from the banking system with none of the potential upside.
- Given the size of the Irish banking system (i.e. €600bn of assets), there is a serious question-mark over the credibility of any such announcement
- It would impact on our sovereign debt rating and ability for the Government to borrow

Need for the public authorities to confirm their support for the banking system

- The CEO of the Financial Regulator stated last night that has said Irish banks are resilient and have the capacity to cope with the current turbulence in financial markets and that depositor savings were safe.
- You recently said that the Irish banking system had shown resilience and the Taoiseach said yesterday that the Irish financial services sector had weathered developments well to date
- Further statements of support will, of course, be considered as necessitated by developments

Case for legislative change to Asset Covered Securities (ACS) Act to facilitate increased access to wholesale lending (i.e. elimination of "Designated Credit Institution" DCI requirement)

- This is likely to impact on the status of Irish ACS and make them less attractive to investors
- It could impact on the ability of Irish banks to re-finance the existing €70bn stock of ACS
- It may lead to ACS being subject to credit down-gradings
- It is not an agreed view of the industry

cc Secretary General, Kevin Cardiff, Cathy Herbert

THEME: B3

Effectiveness of banks' funding, liquidity strategies and risk management

LINE OF INQUIRY: B3B

Analysis of liquidity risks under adverse scenarios

Section 1

Executive Summary

Group

- The Group's vision to become the leading provider of personal financial services in Ireland remains unchanged.
- The macroeconomic backdrop is forecast to be favourable for retail financial services over the life of the plan.
- The Group's corporate activity over the past three years with the disposal of its US interests and the acquisition and integration of **tsb** has left it well positioned to achieve its vision.
- The core focus of the Group over the life of the plan will be on organic growth leveraging upon the existing key competitive advantages of distribution reach, brand, and product innovation.
- The key financial objective will be to deliver EPS growth in excess of 30% over the period of the plan. This exceeds the current market expectation and will satisfy shareholder expectations.
- Cost containment/management will continue to be the focus of significant attention over the life of the plan and will be key to achieving the Group's EPS targets.
- Recognising that acquisition opportunities within Ireland will be limited the Group will actively pursue a number of specific possibilities and reactively participate with regard to any other potential acquisitions which may arise.
- A number of regulatory changes will impact during the life of the plan which will require careful management vis a vis the market. Specifically the implementation of International Accounting Standards in 2005 will fundamentally change the presentation of the Group's financial accounts while the implementation of Basle 11 in 2006 may change regulatory capital requirements. At the time of writing the precise requirements of IAS and Basle 11 are not sufficiently developed to facilitate a considered review of their implications. Accordingly the plan has been developed on the basis of the existing regulations.

Divisions

permanent tsb (Appendix 4)

- **permanent tsb** will remain focused on the personal sector with a continued commitment to mortgages, deposits and bancassurance complemented by a strengthening of its current account franchise.
- Major new initiatives are planned under four broad headings.
  - Increasing the sales focus of the branch network.
  - Enhancing the efficiency of the mortgage business.
  - A more aggressive and targeted customer relationship strategy.
  - Rigorous cost challenge and control.

IFSRA STRESS TEST 2006/2008

IL&P Board
25th April 2006

John Ferguson
GM - Finance

IFSRA Stress Test
2006/2008

Introduction

- IL&P requested by IFSRA in February 2006 to participate in industry wide stress test exercise
- Purpose of test to assess sensitivity of banking industry's financial soundness to adverse economic shock
- Restricted to Irish banking business
- IFSRA provided 3 scenarios to model stress test. Impact of stress factors on 2006 assumed to occur evenly through year i.e. no allowance made for actual YTD experience
- Results submitted to IFSRA in April 2006

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IFSRA Stress Test
2006/2008

Scenarios

	2006 %	2007 %	2008 %
Baseline			
- House Price Inflation	7.0	6.3	6.1
- Unemployment	4.3	4.3	4.3
- Inflation	2.2	2.1	2.1
- GDP	4.8	5.2	4.7
Shock 1			
- House Price Inflation	-13.0	-8.7	1.1
- Unemployment	4.5	6.6	9.7
- Inflation	2.1	1.7	1.5
- GDP	3.2	-0.3	-4.8
Shock 2			
- House Price Inflation	-13.0	-8.7	1.1
- Unemployment	4.5	6.2	8.7
- Inflation	2.1	1.8	1.9
- GDP	3.6	1.0	-2.0
- Interest Rates (from current)	+0.5%	+1.25	+1.25

The number of new housing units decline from the current level of 80,000 to 50,000 in 2006 and remain at that level in both scenarios

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IFSRA Stress Test
2006/2008

Overview of Results

Baseline

- very similar to Bank's own projections

Scenario 1

- significant impact on new business volumes and valves
- financial impact is concentrated on net interest income
- provisions increase as more loans fall into arrears
- lower asset growth means capital ratios improve
- *profits maintained in excess of 2005 levels*

Scenario 2

- very similar to Scenario 1
- common assumption of 50k new housing units underpins market
- impact of increasing interest rates is broadly matched by less severe unemployment/GDP assumptions

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IFSRA Stress Test
2006/2008

Movement in P&L Account Under Different Scenarios

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	Baseline			Shock 1			Shock 2		
	2006 €m	2007 €m	2008 €m	2006 €m	2007 €m	2008 €m	2006 €m	2007 €m	2008 €m
Bank's original projected profit before tax	176.9	232.2	293.0	176.9	232.2	293.0	176.9	232.2	293.0
Reduced NII	0.0	-1.5	-7.0	-9.7	-41.6	-91.6	-9.7	-42.9	-94.9
Reduced Fees & Commissions	0.0	0.0	-0.2	-0.3	-0.9	-1.2	-0.4	-0.9	-0.6
Movement in Operating Costs	-0.0	0.0	0.2	0.0	0.4	0.7	0.0	0.4	0.7
Increase in Specific Bad Debts	0.0	0.0	0.5	-6.7	-19.2	-19.3	-7.3	-19.8	-18 6
Net Movement	0.0	-1.5	-6.5	-16.7	-61.4	-111.3	-17.3	-63.3	-113.4
Restated profit before tax	**177.0**	**230.7**	**286.4**	**160.2**	**170.8**	**181.6**	**159.6**	**168.9**	**179.5**

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IFSRA Stress Test
2006/2008

New Business Impact

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Baseline

- lending volumes marginally lower than Bank's projection
- resource balances unaffected

Scenario 1

- 50,000 new housing units provide a base to residential market, particularly first time buyers
- RIP and mover purchasers fall significantly
- overall new residential mortgage business at 70%, 54% and 47% of projections for 2006, 2007 and 2008
- commercial mortgages similarly impacted
- c. 20% reduction in consumer lending
- modest increase (+10%) in overdraft/credit card balances with similar fall in current a/c balances

Scenario 2

- 50,000 new housing units assumption continues to provide a base to residential market
- increasing interest rate reduces volumes further from Scenario 1 in first time buyers and mover purchaser segments
- commercial lending reduces further from Scenario 1 level
- Retail lending not further impacted
  - increase in rates is modest in context of rate charged

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IFSRA Stress Test
2006/2008

Credit Quality Impact

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Baseline

> no change from Bank's projection

Scenario 1

> non-performing cases (>3 months in arrears) increase by 3 times to c. €1.1bn
> increase is concentrated in residential portfolio, which increases by 4.5 times to c. €955m
> impact modelled with reference to UK experience in 1989/92. Recent loans were more likely to default than older loans. Where original 1989 LTV @ 95%, final loss (if it occurred) averaged 9.5%
> lower LTV loans continue to have strong collateral. All loans issued prior to 2005 will maintain an LTV of less than 100%
> overall provisions increase by c. 125% to €35m in each of 2006/7

Scenario 2

> very similar impact to Scenario 1
> house price fall and unemployed remain dominant factors in customer behaviour
> impact of interest rate increase not hugely significant
- happens over 5 quarters and stabilises @ end Q3 2007
- within current customer stress test levels
> economic performance stronger than Scenario 1

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IFSRA Stress Test
2006/2008

Financial Impact

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Profits

> profit growth severely impacted, but profit remains above 2005 level in all scenarios
> no benefit taken for management action on cost base
> negative impact of scenarios moderate, but continue into 2009/10

Balance Sheet

> asset growth significantly reduced
> retained profits increase shareholder funds
> solvency ratio strengthens

Forecast 2008			
	Baseline €bn	Shock 1 €bn	Shock 2 €bn
Residential Mortgages	33.1	24.0	23.4
Commercial Mortgages	2.8	1.6	1.5
Solvency Ratio	10.03%	12.94%	13.23%

Summary

> Bank financials remain robust throughout review period

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Dr Liam O'Reilly
Chief Executive
Irish Financial Services Regulatory Authority
PO Box 9138
College Green
DUBLIN 2

19 December 2003

Dear Dr. O'Reilly

RE: Sensitivity Analysis Assuming a Hypothetical Scenario

I refer to your letter of 10 November 2003.

On foot of your letter, Senior Executives in the Bank have undertaken an analysis of each business area likely to be impacted in the hypothetical scenarios set out therein.

The analysis, which we believe to be conservative, covered all of the Group's banking business in Ireland but did not extend to its Life Assurance business.

The impact of the various scenarios on profitability is set out in the table below:

Movement in Profit and Loss Account Under Different Scenarios

	Baseline		**Scenario 1**		**Scenario 2**	
	2004 €m	**2005 €m**	**2004 €m**	**2005 €m**	**2004 €m**	**2005 €m**
Bank's original projected profit before tax	121.1	158.4	121.1	158.4	121.1	158.4
Impact of different scenarios:						
Reduced net interest income	(0.5)	(2.7)	(10.7)	(40.1)	(4.4)	(16.8)
Reduced fees and commissions	(0.1)	(0.2)	(2.5)	(6.5)	(0.2)	(0.5)
Reduction in business acquisition costs	0.1	0.2	5.1	13.1	3.8	9.5
Increase in specific bad debts	0.0	0.0	(0.4)	(0.9)	(0.3)	(0.4)
Reduction in general bad debt provisions	0.1	1.0	3.5	7.0	3.5	5.9
Net movement	(0.4)	(1.7)	(5.0)	(27.4)	2.4	(2.3)
Restated profit before tax	120.7	156.7	116.1	131.0	123.5	156.1

As you can see IFSRA's baseline scenario is only modestly more conservative than that adopted by the bank in the preparation of its own 3 year plan. Of the two scenarios tested, scenario 1 with its increased unemployment and falling house prices, has the greatest impact on bank profitability. However the reduction in profitability is modest in the context of the economic variables modelled.

The following is a summary of the bank's conclusions having assessed the impact of the various scenarios on business volumes and credit:

1. Impact on business volumes

- ISFRA Baseline :

  New business lending volumes are marginally lower versus bank's own 3 year plan and these have been factored into this scenario. Resource balances are unaffected.

- Shock scenario 1 :

  The combination of falling house prices and an increasing unemployment rate impacts significantly on new business lending volumes. This is particularly noticeable in the residential mortgage market and reduces new business volumes to 81% and 65% of the bank's 2003 forecast for 2004 and 2005 respectively. Smaller reductions have been factored into new business projections for most of the bank's other lending portfolios including commercial mortgages and consumer finance.

  In relation to resources, we have assumed that current account balances are below present projections. This view is based on the premise that, in an environment where unemployment is rising, individuals use existing resources to fund loan repayments and day-to-day expenses. There is a counter argument that in times of reduced economic activity the savings ratio increases; however, as the purpose of the exercise is to stress test the bank's financial position we have taken the more conservative view that balances fall.

- Shock scenario 2 :

  Rising interest rates have some impact on borrowing levels in the residential mortgage market. However, the reduction in new business levels is unlikely to be as pronounced as in scenario 1 as house price increases and unemployment levels remain at the same levels as in the baseline.

  The impact on commercial mortgage activity is more significant while the term loan, overdraft and credit card portfolios are unlikely to be impacted to any great extent by interest rate increases of this magnitude.

  We have taken the view that, with rising interest rates, deposit offerings such as term and notice accounts become attractive due to the higher return available and we have factored in some growth in this area.

2. Impact on credit

For the purposes of evaluating the impact of the different scenarios on bad debts, we analysed each of the bank's main portfolios as follows:

	Current balance (€m)
➢ Residential mortgages	12,033 (83%)
➢ Commercial mortgages	1,193 (8%)
➢ Term and other loans	1,335 (9%)

The residential mortgage portfolio includes residential investment loans (RIPs).

- IFSRA baseline:

  There is no increase in bad debt experience under the baseline relative to the bank's original projections.

- Shock scenario 1 :

  Having stress tested the individual loan portfolios the conclusion is that the bank would experience only modest increases in bad debt write-offs. These increases are concentrated in the term and other loan category. The principal reason for the low impact on the mortgage portfolios is that, when account is taken of current bonding arrangements, the maximum effective Loan to Value (LTV) ratio for loss assessment purposes is 75%.

- Shock scenario 2 :

  The bank has estimated that only moderate increases in specific bad debts will be experienced and that these will be in the term and other loan portfolio. There will be no additional specific bad debts in the mortgage portfolios principally due to the maximum LTV point outlined in scenario 1 above. In addition to this, the following factors give further cover in an environment where interest rates increase by a cumulative 2.25%:

➢ The bank's practice since August 2002 is to stress test all residential mortgages for a 2% increase in interest rates at the time of loan approval.
➢ House prices are assumed to increase in line with baseline.
➢ Overall wage levels have increased since the majority of loans in the portfolio were issued.
➢ The rate increase is gradual.

No additional bad debts are anticipated in the commercial loan portfolio due to the maximum LTV of 75% at the date of issue.

The general bad debt charge in the profit and loss account under all scenarios has been reduced reflecting the levels of new business volumes.

3. **Other profit and loss account items**

Fees and commissions receivable have been reduced as appropriate to reflect lower business volumes. New business acquisition costs comprising intermediary costs and loan indemnity bond costs have similarly been reduced.

With regard to the Bank's liquidity no undue strain is anticipated principally due to the fall off in new business volumes and the bank's existing committed credit facilities.

Finally, while profitability is projected to be lower relative to the bank's own 3 year plan, the bank's capital ratios would remain stable due to the reduction in risk weighted assets arising from lower new business levels.

In conclusion, the results of the scenario analysis indicate that Irish Life & Permanent's banking division would remain profitable throughout. As mentioned earlier we have erred on the conservative side in estimating business volumes in order to respect the stress objectives of the scenarios. In addition we have made no allowance for any actions we would take in respect of costs other than those directly related to business acquisition. The projected balance sheet for each scenario shows that the bank's capital and liquidity ratios would remain strong. Accordingly, I believe that the analysis highlights the strong financial fundamentals in place within the Group's banking division.

I trust that the above deals adequately with the issues raised in your letter but should you require anything further please do not hesitate to contact me.

Yours sincerely

David Went
Group Chief Executive

From:	Gannon, Gareth(Audit)
Sent:	09 June 2008 15:05
To:	Scott, Karen
Subject:	Internal Audit Liquidity Reviews
Attachments:	Group Treasury - Liquidity Annual Review (19.12.07).doc; GT- Liquidity reporting requirements GFGT02 23.02.07.doc; GT - Liquidity Reporting Requirements - Follow Up 2007 27 04 07.doc; ptsb Finance liquidity reporting Spot Check Report 23 10 07.doc; PTSBF -Liquidity Reporting Follow up 23.01.08.doc; FW: Management of liquidity risk; FINAL Report 16 04 08.doc; PTSB -Annual Liquidity Reporting Review 16.04.08.doc

Karen,

Please find attached the Internal Audit liquidity assignment reports for onward transmission to the Regulator for his upcoming liquidity review within Group Treasury (as per FR information request).

Included above are:

(i) Audit Report (1) Review to review the controls in place to implement the new Financial Regulator requirements for the Management of Liquidity Risk and the resulting reporting output prior to going live – 23/02/07

(ii) Spot check Report (1) Review to follow up on the points raised in the Group Treasury audit report Liquidity Reporting Requirements issued on the 23/02/2007 – 27/04/07

(iii) Audit Report (2) 2007 Annual Review - The objective of the audit was to review and evaluate the effectiveness of the internal control system employed by Management in managing liquidity risk, and ensuring compliance with the qualitative and quantitative requirements as outlined by the Financial Regulator. -19/12/07

(iv) Spot Check Report (2) Liquidity review within ptsbf – The objective of the review is to ensure that the qualitative and quantitative requirements for the management of Liquidity Risk as set out by the Financial Regulator are complied with. – High Findings 23/10/07

(v) Spot Check Report (3) Follow up to review of liquidity within ptsbf – 23/01/08

(vi) Spot Check Report (4) 2008 Review of Liquidity within ptsbf – High Findings – 16/04/08

(vii) Finally included above is an email from Paul Keogh to Dave Gantly outlining that the subsidiaries had been looked at from a liquidity reporting perspective just after going live. – 15/03/07

Please do not hesitate in contacting me if you require any other information.

Gareth

Gareth Gannon
Head of Bank & Treasury Audit
Group Internal Audit
Irish Life & Permanent plc
Tel: +353 1 7042326
mail: gareth.gannon@irishlife.ie

Group Internal Audit: Spot Check Report

Business Unit and Division:	**Permanent tsb Finance Ltd**
Title:	Liquidity Reporting Annual Review
Report Date:	16/04/2008
Auditor:	Stuart Heffernan - Risk Assurance & Audit Specialist
Manager:	Gareth Gannon - Head of Bank & Group Treasury Audit
Issued to:	Gearoid O'Daly – Head of Operations ptsb Finance Ronnie Woods – Financial Controller ptsb Finance

Overall Findings	**High Findings**

Objective	To perform the annual review of the liquidity reporting process within Permanent tsb Finance so that it is compliant with the qualitative and quantitative requirements as set out by the Financial Regulator's document on the managing of liquidity risk.

Test Description	Through discussion with the client and review of the supporting documentation: • Testing of cash flows and supporting data. • Review the rational of assumptions and their underlying calculations. • Review of liquidity management report and related reconciliations performed by management.

Detailed Findings	Internal Audit reviewed the Permanent tsb Finance Ltd liquidity report for the month ended 29/02/2008. Assumptions and cash inflows / outflows were reviewed to ensure they complied with the qualitative and quantitative requirements as set out by the Financial Regulator. Permanent tsb Finance Ltd (ptsbf) make an assumption on stocking loan facilitie [redacted]. The assumption is based on the actual cash flows during the last 12 months prior to the report date multiplied by the percentage increase in credit facilities provided for the year. Internal Audit reviewed the cash flows for two dealers – [redacted] and noted the following issues: 1. (i) The stocking loan assumption is not based on current historical data. The percentage increase applied to stocking loan cash flows was not updated to reflect the increase in credit facility provided for 2008. As a result the stocking loan cash flows per the February month end liquidity report are based on a percentage increase in credit facilities provided during 2007 (as apposed to 2008).

(ii) The assumptions document has not been updated to reflect the increase in credit facilities provided for 2008 (with which the 2008 cash flows should be based on). The document also includes statements which relate to prior years and are not applicable to 2008 cash flow reports.

2. An inputting error was noted upon review of the liquidity supporting documentation, the error relates to the percentage increase input into the liquidity system which calculates the stocking loan cash flows. This error appears to have occurred consistently throughout 2007. The error is in the formula which applies the percentage increase in credit facilities to cash flows. The actual incorrect increase in cash flows applied t [redacted] dealers during 2007 was approximately 1%. This has occurred due to an increase of 37% in th [redacted] Dealer credit facility being noted as 1.37% in the system, when it should be noted as 137%. Similarly, th [redacted] dealer credit facility of 11.55% being noted as 1.1155%, when it should have been noted as 111.55%. The inputting error described above was applicable to all dealer cashflows and not limited t [redacted]

3. When reviewing the remaining dealer's cashflows a third error was noted. Due to an incorrect spreadsheet formula only four out of seven dealer cash outflows were included in the ptsbf Liquidity report. This error only occurred with the cash outflow. All dealer cash inflows are included in the ptsbf Liquidity report.

Internal Audit recalculated the February 2008 cashflows, correcting the errors noted in points one, two and three above, and compared them to the original liquidity report to assess the impact of each error individually and collectively. These calculations are set out in tables in appendix 1 and summarised below:

- The first table assesses the impact as a result of the input error noted in point two above only (the incorrect application of credit facility increases noted in the assumptions document). The cashflows included in original Liquidity report is compared to cashflows based the accurate increase in credit facility noted in the assumptions document. (For ptsbf on an overall basis including stocking and all other business). It is noted that all time bands are understated, (actual figures are included in the tables in appendix 1) see table below:

Percentage cash flow understatement as a result of correcting error two

	0 to 8d	9d to 1m
Cash Inflow	15%	13%
Cash Outflow	10%	8%
Net cash movement	12%	5%

- The second table assesses the impact of the error noted in point three above only (the omission of three of the dealership cash outflows). It was highlighted that the non inclusion of all dealership cash outflows resulted in the total cash outflows being understated across all time bands, (actual figures are included in the tables in appendix 1) see table below:

Percentage cash flow understatement as a result of correcting error three

	0 to 8d	9d to 1m
Cash Inflow	0%	0%
Cash Outflow	6.5%	5%
Net cash movement	34%	18%

- The third table assesses the impact when all errors (error one, two, and three) are combined and appropriately corrected, i.e. all the cashflows are increased to reflect appropriate credit facility increase, this increase is applied correctly on the liquidity system, and the omitted cash outflows are included. It is noted that all time bands are understated, (actual figures are included in the tables in appendix 1), see table below:

Percentage cash flow understatement as a result of correcting errors one, two & three

	0 to 8d	9d to 1m
Cash Inflow	9%	8%
Cash Outflow	13%	10%
Net cash movement	28%	18%

The tables show the impact of each individual error and also the combined effect of the errors. Internal audit have concluded that each individual error when viewed individually, in terms of cashflows and the overall liquidity ratios have a material effect on the ptsbf liquidity report. When all the errors noted above are combined, the cashflows are materially understated. However, as both the cash inflows and outflows are understated the overall liquidity ratio is not materially misstated. The significant quantitative and qualitative errors noted above have resulted in this spotcheck report being graded High.

Internal Audit also investigated to see if the reporting errors within ptsbf had a material impact on the Group (excluding Irish Permanent (IOM) Limited) Liquidity ratios reported to the Financial Regulator as at the 29/02/2008. Internal Audit recalculated the Group Liquidity Ratios and compared them to the Ratios that were submitted.

Group Liquidity Ratios

	0 to 8d	9d to 1m	1m to 3m	3m to 6m	6m to 1y	1y to 2y
Recalculated	349.53%	218.75%	111.47%	141.85%	136.46%	136.75%
Original	349.72%	218.85%	111.45%	141.84%	136.69%	136.60%

The use of incomplete ptsbf cash flow data has no material impact on the Group Liquidity reporting ratios as at the 29/02/2008 and therefore the report

	does not have to be re-stated.
Management comment	Ptsb Finance Management do not consider that the overall findings of this Internal Audit spot check should be considered "High" due to the fact that "the use of incomplete ptsbf cash flow data had **no material impact on the Group Liquidity reporting ratios** as at the 29/02/2008" and that the "report does not have to be re-stated".
Agreed actions	1. The assumptions document will be updated to reflect the increase in the credit facility provided during 2007 and any statements that relate to prior years will be removed. 2. The stocking loan formula will be updated with the credit facility percentage increase provided during 2007. 3. The procedures document for the process will be updated to specify exactly how the percentage increase is to be inserted into the system. 4. Management will undertake a review of all spreadsheets used within the process to ensure all formulas are correct. 5. The assumptions document will be reviewed and updated on a quarterly basis. Management will review the cash flow workings on a monthly basis, and this review will be evidenced by sign off
Responsibility **Action date**	1.- 5. Ronnie Woods 1. 14/04/08 2. 14/04/08 3. 14/04/08 4. 30/04/08 5. 30/06/08 and quarterly there after.

Appendix 1: Tables showing impact of errors noted upon reviewing ptsbf liquidity reporting as at 28/02/08.

Table 1. Recalculated cashflows are based on 100% of the (incorrect) credit facility increase only (correction of error two noted above)

	0 to 8d	9d to 1m	1m to 3m	3m to 6m	6m to 1y	1y to 2y
Cash Inflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	45,516	103,662	278,798	320,210	675,734	496,041
Recalculated	52,523	117,240	314,594	356,061	751,154	500,031
difference	7,007	13,578	35,796	35,850	75,420	3,989
Cash Outflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	-56,349	-143,963	-161,165	-137,193	-384,283	-24,133
Recalculated	-62,097	-155,411	-199,801	-169,921	-471,284	-29,390
Difference	5,748	11,448	38,635	32,728	87,002	5,257
Net cashflow						
Original	-10,833	-40,301	117,633	183,017	291,451	471,908
Recalculated	-9,575	-38,171	114,794	186,140	279,870	470,640
difference	-1,259	-2,131	2,840	-3,122	11,581	1,268
Ratio						
Original	81.00%	67.00%	131.00%	282.00%	241.00%	4297.0%
Recalculated	84.58%	71.06%	127.09%	249.00%	213.11%	3515.1%

Table 2. Recalculated cashflows includes the omitted cash outflows only (correction of error three above)

	0 to 8d	9d to 1m	1m to 3m	3m to 6m	6m to 1y	1y to 2y
Cash Inflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	45,516	103,662	278,798	320,210	675,734	496,041
Recalculated	45,516	103,662	278,798	320,210	675,734	496,041
difference	0	0	0	0	0	0
Cash Outflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	-56,349	-143,963	-161,165	-137,193	-384,283	-24,133
Recalculated	-60,005	-151,039	-179,042	-154,867	-427,137	-25,732
Difference	-3,656	-7,077	-17,876	-17,674	-42,854	-1,599

Net cashflow						
Original	-10,833	-40,301	117,633	183,017	291,451	471,908
Recalculated	-14,489	-47,377	99,757	165,343	248,597	470,309
difference	3,656	7,076	17,876	17,674	42,854	1,599
Ratio						
Original	81.00%	67.00%	131.00%	282.00%	241.00%	4297.0%
Recalculated	75.85%	62.62%	115.73%	231.23%	205.78%	3683.6%

Appendix 1 (Cont'd)

Table 3. Recalculated cashflows based on all errors (one, two, and three) being combined and corrected (appropriate credit facility increase being assigned and applied on the liquidity system, inclusion of omitted cash outflows).

	0 to 8d	9d to 1m	1m to 3m	3m to 6m	6m to 1y	1y to 2y
Cash Inflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	45,516	103,662	278,798	320,210	675,734	496,041
Recalculated	49,726	111,441	300,997	339,896	716,696	498,400
difference	4,210	7,779	22,199	19,686	40,962	2,359
Cash Outflows	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Original	-56,349	-143,963	-161,165	-137,193	-384,283	-24,133
Recalculated	-63,580	-159,018	-200,699	-172,799	-480,205	-29,128
difference	-7,231	-15,055	-39,534	-35,605	-95,923	-4,995
Net cashflow						
Original	-10,833	-40,301	117,633	183,017	291,451	471,908
Recalculated	-13,854	-47,577	100,298	167,098	236,491	469,272
difference	-3,021	-7,276	-17,335	-15,920	-54,960	-2,636
Ratio						
Original	81.00%	67.00%	131.00%	282.00%	241.00%	4297.0%
Recalculated	78.21%	64.46%	114.83%	219.19%	192.14%	3230.1%

THEME: B5

Impact of the remuneration arrangements on banks' risk management

LINE OF INQUIRY: B5a

Adequacy of the incentive and remuneration arrangements to promote sound risk governance

Person Reference	2001
Former Operations Director - Irish Permanent Finance	299,992.13
Former Managing Director - Irish Permanent Finance	263,423.67
Former Chief Executive - Irish Permanent	71,422.77
Former Managing Director - Irish Permanent Finance	60,566.50
Former Deputy Chief Executive - Irish Permanent	44,440.00
Former General Manager Operations - Irish Permanent	40,783.99
Former Head of Sales - Irish Permanent Finance	40,408.71
Former Regional Manager South - Irish Permanent Finance	30,847.84
Former Regional Manager West - ptsb Finance	29,412.35
Former Director- Guinness and Mahon	25,394.76

Person Reference	2002
Former Group Chief Executive, IL&P	293,000.00
Former Group Finance Director, IL&P	157,650.00
Former Chief Executive - ptsb	117,560.85
Former Group Head of HR & OD, IL&P	114,000.00
Former Group Treasurer, IL&P	95,230.00
Former Chief Treasury Dealer - Group Treasury, IL&P	88,881.67
Former Head of Sales - ptsb Finance, IL&P	83,376.00
Former Group Acturary, IL&P	80,561.15
Former Senior Manager - Group Treasury, IL&P	79,993.50
Former Regional Manager South - ptsb Finance	70,713.00

Person Reference	2003
Former Chief Treasury Dealer - Group Treasury, IL&P	225,000.00
Former Group Chief Executive, IL&P	223,390.00
Former Senior Manager - Group Treasury, IL&P	200,000.00
Former Group Finance Director, IL&P	173,650.00
Former Head of Sales - ptsb Finance	169,363.00
Former Chief Executive - ptsb	160,032.39
Former Regional Manager South - ptsb Finance	123,597.00
Former Group Treasurer, IL&P	122,950.00
Former Group Financial Officer, IL&P	119,650.00
Former Regional Manager West - ptsb Finance	112,933.00

Person Reference	2004
Former Chief Treasury Dealer - Group Treasury, IL&P	350,000.00
Former Senior Manager - Group Treasury, IL&P	300,000.00
Former Group Chief Executive, IL&P	277,800.00
Former Group Finance Director, IL&P	214,500.00
Former Head of ptsb Agri Finance	160,647.20
Former Chief Executive - ptsb	156,909.86
Former Group Financial Officer, IL&P	133,179.00
Former Group Treasurer, IL&P	123,179.00
Former Head of Corporate Deposits - Group Treasury, IL&P	112,500.00
Former Group Head of HR & OD, IL&P	109,511.63

Person Reference	2005
Former Chief Treasury Dealer - Group Treasury, IL&P	380,000.00
Former Senior Manager - Group Treasury, IL&P	360,000.00
Former Group Chief Executive, IL&P	299,000.00
Former Group Finance Director, IL&P	240,000.00
Former Head of Sales - ptsb Finance	194,909.20
Former Chief Executive - ptsb	150,009.89
Former Regional Manager South - ptsb Finance	150,000.41
Former Group Financial Officer, IL&P	141,600.00
Former Regional Manager West - ptsb Finance	141,200.80
Former Group Treasurer, IL&P	141,169.74

Person Reference	2006
Former Group Chief Executive, IL&P	360,000.00
Former Group Finance Director, IL&P	316,000.00
Former Chief Executive - ptsb	240,000.00
Former Group Compliance Officer, IL&P	198,674.20
Former Group Financial Officer, IL&P	187,500.00
Former Group Head of HR & OD, IL&P	161,000.00
Former Group Acturary, IL&P	160,000.00
Former Group Treasurer, IL&P	159,055.00
Former Group Chief Risk Officer, IL&P	130,003.36
Former Group Chief Information Officer, IL&P	130,000.00

Person Reference	2007
Former Group Chief Executive, IL&P	480,000.00
Former Group Finance Director, IL&P	280,000.00
Former Senior Manager - Group Treasury, IL&P	250,000.00
Former Group Chief Executive, IL&P	209,000.00
Former Group Financial Officer, IL&P	165,600.00
Former Group Treasurer, IL&P	159,000.00
Former General Manager - Intermediaries ptsb	150,878.00
Former Chief Executive - ptsb	150,480.00
Former Liquidity Manager - Group Treasury, IL&P	150,000.00
Former Group Acturary, IL&P	132,000.00

Person Reference	2008
Former Managing Director - ptsb Finance	2,234,177.00
Former Head of Sales - ptsb Finance	1,055,701.50
Former Regional Manager South - ptsb Finance	791,750.60
Former Regional Manager West - ptsb Finance	789,030.60
Former Group Finance Director, IL&P	776,364.26
Former Group Chief Executive, IL&P	617,660.00
Former Head of ptsb Agri Finance	540,426.80
Former Senior Manager - Group Treasury, IL&P	275,000.00
Former Group Chief Financial Officer, IL&P	196,000.00
Former Group Treasurer, IL&P	180,000.00

Group Chief Executive
Group Finance Director
Chief Executive - Irish Life
Group Chief Financial Officer
Chief Executive - Irish Life Investment Managers
Chief Executive - permanent tsb
Chief Executive - Irish Life Retail
Group Head of Human Resources
Group Treasurer
Chief Actuary
Group Chief Executive
Group Chief Financial Officer
Group Finance Director
Chief Executive - Irish Life Corporate Business
Chief Executive - Irish Life Retail
Chief Executive - Irish Life Investment Managers
Group Treasurer
Group Head of Human Resources
Chief Actuary
Chief Executive - Cornmarket
Group Chief Executive
Group Chief Financial Officer
Group Finance Director
Chief Executive - Irish Life Corporate Business
Chief Investment Officer - Irish Life Investment Managers
Chief Executive - Irish Life Retail
Chief Executive - permanent tsb
Chief Treasury Dealer
Chief Executive - Irish Life Investment Managers
Group Treasurer
Chief Executive - permanent tsb
Group Chief Executive
Chief Executive - Irish Life Retail
Group Treasurer
Chief Operating Officer - permanent tsb
Group Chief Financial Officer
Chief Investment Officer - Irish Life Investment Managers
Chief Executive - Irish Life Corporate Business
Group Finance Director
Head of Operations - Irish Life Retail
Chief Executive - permanent tsb
Group Chief Executive
Chief Investment Officer - Irish Life Investment Managers
Head of Active Fund Management - Irish Life Investment Managers
Managing Director - permanent tsb Finance
Chief Executive - Irish Life Corporate Business
Group Finance Director
Head of Operations - Irish Life Retail
Group Chief Financial Officer
Chief Executive - Irish Life Retail

THEME: B6

Impact of the banks' internal audit processes in supporting effective risk management

LINE OF INQUIRY: B6a

Effectiveness of internal audit oversight and communication of issues related to governance, property-related lending strategies and risks, and funding and liquidity risks

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF AUDIT COMMITTEE MEETING
HELD ON THURSDAY 9 NOVEMBER 2006 AT 9.30 a.m.
IN IRISH LIFE CENTRE

Present:	B. Byrne (in the Chair) F. Sheehan E. Heffernan	
Apologies:	D. Gray	
In Attendance:	C. Long (Secretary) P. Fitzpatrick H. Flood P. Keogh B. Maxwell D. McCarthy D. Went	B. Hannan (49-Aud-06) J. Ferguson (50-Aud-06) A. Boyne) T. O'Rourke) KPMG N. Fox) B. Morrissey)

44-Aud-06 **Minutes**

The minutes of the Audit Committee meeting held on Tuesday 29 August 2006 were approved and signed.

45-Aud-06 **Management Update on KPMG Group Memorandum of Recommendations and Half-Year Report**

David McCarthy reviewed for the Committee the previously circulated recommendations for the Group from KPMG in respect of the current and prior years which were contained within their half year Report.

The current status and plans for the completion of each of the identified recommendations, including the progress being made in [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

47-Aud-06 [redacted]

[redacted]

[redacted]

48-Aud-06 **<u>Treasury Half-Year Credit Review</u>**

Peter Fitzpatrick reviewed the previously circulated memorandum on the Half-Yearly Financial Institutions Credit Report from Group Treasury. The Report outlined the country of origin, rating, credit limits and average usage on those limits over the past six months for each counterparty. The usage was also analysed across shareholder and policyholder risk.

It was noted that the limits are credit rating driven and comply with internal and regulatory restrictions.

49-Aud-06 **<u>Compliance Report</u>**

Bill Hannan attended for this item and presented the previously circulated Quarterly Compliance Update.

THEME: C2

Role and effectiveness of the Policy appraisal regime before and during the crisis
Pre Crisis phase

LINE OF INQUIRY: C2c

The liquidity versus solvency debate

CL

MINUTES OF A MEETING OF

A COMMITTEE OF

THE BOARD OF DIRECTORS

OF

IRISH LIFE & PERMANENT PLC
("the Company")

Held at Irish Life Centre, Lower Abbey Street, Dublin 1 on Thursday 23 October 2008 at **5.00pm**.

PRESENT:	Gillian Bowler	In the Chair
	Denis Casey	Director

1. The chair was taken by Gillian Bowler.

2. The Chairman reminded the meeting that at a meeting of the Board of Directors held on 21 October 2008, it had been agreed that the Company should participate in the Credit Institutions (Financial Support) Scheme 2008, ("the **Scheme**") a draft copy of the Scheme having previously been circulated to Board members. It was noted that while the Company was included in the list of institutions covered under the Government guarantee announcement made on 30 September, formal participation in the Scheme would require the execution of a guarantee acceptance deed by the Company, the details of which had not been available at that meeting. It was also noted that the execution of this deed would be required at short notice.

3. The Chairman also reminded the meeting that following a comprehensive review of the issues arising for the Company from the Scheme the Board resolved to establish a Committee ("the **Committee**") consisting of any three Directors with a quorum of two Directors to do all acts or things necessary or desirable to be done in connection with the participation in or subsequent operation of the Scheme by the Company and any of its subsidiaries. It was noted that this meeting was a meeting of that Committee. It was also noted that in accordance with the Articles of Association of Irish Life & Permanent the meeting was quorate and the meeting had been duly convened in accordance with the requirements of Irish Life & Permanent's Articles of Association.

4. The Chairman explained to the meeting that she had now received from the Minister for Finance two copies of a Guarantee Acceptance Deed ("the **Deed**") which the Company must execute in order to join the Scheme. Two copies of a Deed for Irish Permanent (IOM) Limited were also received for execution by that company.

5. The Committee Members considered the terms and conditions of the Deed and in particular the Committee Members' attention was drawn to the following:

   - The charge to the Company for participation in the Scheme was set at 0.121 per cent per annum of the covered liabilities of the Company and any of its subsidiaries that have the benefit of the guarantee, and
   - The requirement to submit to the Minister within 45 days a legal opinion in respect of the Company's powers to enter into the deed and to exercise its rights and perform its obligations under the Deed.

6. After careful consideration and after taking into account the best interests of the Company **IT WAS RESOLVED THAT** the Deed be and was thereby approved and **IT WAS FURTHER RESOLVED** that any director and the Secretary of the Company each be and were thereby authorised to execute the same on behalf of the Company.

7. A draft of the Minutes of the meeting were produced and approved and **IT WAS RESOLVED** that the Chairman be and was thereby authorised to sign the same and the Secretary be and was thereby authorised to certify a copy of these Minutes as being true and complete to certify the resolutions passed at this Meeting as remaining in full force and effect and to deliver the same to the appropriate party and sign such certificates thereto as might be required for the purposes of a legal opinion.

8. There being no further business, the meeting then concluded.

Chairman

IRISH LIFE & PERMANENT PLC ("THE COMPANY")

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD ON FRIDAY 19 SEPTEMBER 2008 at 6.00 p.m.
IN IRISH LIFE CENTRE

Present:

G. Bowler (in the Chair)
B. Byrne (by conference call)
D. Casey
P. Fitzpatrick
D. Gray
E. Heffernan (by conference call)
R. Keenan
K. McGowan
K. Murphy
L. O'Reilly
F. Sheehan

99-ILP-08 The Chairman thanked Directors for making themselves available at short notice and explained that in the light of developments over the last few days in the financial markets it was necessary to update Board members on developments and seek their approval for proposed next steps. The Chairman also welcomed Liam O'Reilly to his first meeting of the Board.

100-ILP-08 The Chief Executive provided an outline of the impact that the volatility in financial markets was having on the Company, and market participants generally. He then went on to outline details of the discussions held with the Financial Regulator and representatives of the Minister for Finance over the previous few days and the position adopted to date in those discussions.

The Chief Executive appraised the Board of an approach which Anglo Irish Bank had made proposing a merger with the Company. After a full discussion on the matter the Board unanimously agreed that, in view of the fundamentally different business models and risk profiles of the two businesses, this was not an option which should be progressed at this time.

The Chief Executive then outlined proposals developed by management to initiate discussions with the Educational Building Society ("EBS") on a possible takeover of that entity by the Company.

Following a wide ranging discussion on the issues raised and possible future scenarios, with all Board members participating, the Board authorised management to pursue the proposed discussion with the EBS up to and including a formal takeover offer.

101-ILP-08 The next Board meeting will take place on Tuesday 21 October 2008 at 8.15 a.m. in Irish Life Centre.

Chairman ....

Date ....

From:	Fitzpatrick, Peter
Sent:	22 November 2007 13:03
To:	'Burke Mary'; 'con.horan@ifsra.ie'
Subject:	RE: Liquidity

Con & Mary,
I understand that Dave Gantly, our Treasurer, notified Wendy Molloy this morning of our €2billion drawing from the ECB Tender. This repairs the shortfall in the 8 to 30 day Liquidity Requirement for the Group. As you know, we used the Auburn 6 securitised assets for this mornings tender and I should acknowledge the tremendous support which we received from your colleagues, especially Peter Sinnott, in helping to get the assets across the finishing line to be included in the tender. Many thanks.

The level of pressure on Irish Institutions continues at a pace in both the Credit and Equity Markets. We are receiving calls from major shareholders in the UK, USA and Canada saying that they have met/ talked with Bank of Ireland following the posting of the Banks full year results. BOI is actively talking down the Irish story and ,to quote Schroders in the UK, who met with BOI yesterday, the CEO said that "in quarter 1, the issue for all Irish banks was one of survival". Bit alarming for BOI, but to put us all in the same boat is creating massive negative sentiment. Of course, I am getting this second hand, but it is too widespread to be inaccurate. One of our Canadian Holders said that she had been informed out of London that we in IL&P are the next Northern Rock, so, once again, we are on red alert.

That brings me onto the London Market. The Governor remarked at our recent meeting that there was a marked pick up, in his view, of negative sentiment about Ireland. We would agree with that and I think that I have found at least part of the reason why that is manifesting itself in the Equity Markets. I spoke with Davy Stockbrokers this morning and asked the direct question about Hedge fund activity since Davy's have been leading the market in that respect for Irish stocks. They say that the Hedge Fund managers are very active in shorting the Irish stocks, but had transferred all of their dealings into the London market following some reforms/ changes in dealing rules there. Accordingly, Davys no longer have a line of sight into the detailed transactions, but they do say that this is a deliberate action to stop the Irish market seeing what the Hedge Fund strategy is at any point in time. It does explain why negative sentiment would be openly peddled around the markets out of London. I have had a problem with Hedge Fund managers for quite some time since I have caught them blatantly manipulating the newsflow regarding our own Group. In the current climate, they short the stock and then phone around with a negative view about liquidity and a banks ability to fund its operations. Managers will sell off at lower prices allowing short positions to be closed at a profit.Fact doesn't matter, a rumour works remarkably well! There is no way in which this can be stopped as long as fund managers are prepared to lend stocks into the market to provide the wherewithal for the shorting. I have had the row with ILIM, but their answer is that clients insist on participation in stock lending in order to improve returns. This is another accident waiting to happen in the markets and I have insisted that we only lend to banks such as Citibank and take its credit risk rather to individual Hedge Funds.

Another reason for the stock prices going off is another round of margin calls in the remaining CFD market. I am told that this is all done and dusted now and that a good number of previously wealthy folk have lost their shirts in CFD's.

Hope you find this useful as a snapshot and thanks again for the help with Auburn 6.

Peter Fitzpatrick
Group Finance Director

From: Burke Mary [mailto:mary.burke@financialregulator.ie]
Sent: 20 November 2007 09:44
To: Fitzpatrick, Peter
Subject: FW: Liquidity

Peter

Thank you for the update.   E-mail address as above.

Regards

From: Fitzpatrick, Peter
Sent: 17 September 2008 10:30
To: Horan Con
Subject: Retail Deposit Guarantees

Con, I know that Denis raised the matter of seeking a higher level of Government guarantee on retail deposits. I want to add my voice to his. Whilst we are not seeing anything dramatic, there is a growing level of uneasiness amongst retail depositors of all banks, not just ours, which I believe is about to translate into larger deposits being broken into a larger number of smaller deposits to avail of the current €20,000 limits. My view is anecdotal at this stage and based on reports on what people are openly talking about in the workplace etc.
I think that any increase in the guarantee would go a long way to restoring retail confidence right across the Irish market.

Peter Fitzpatrick
Group Finance Director

THEME: C3

Appropriateness and effectiveness of the Department of Finance actions during crisis

LINE OF INQUIRY: C3b

Appropriateness of the bank guarantee decision

From:	Gantly, Dave
Sent:	29 November 2007 09:41
To:	'wendy.molloy@financialregulator.ie'
Cc:	Fitzpatrick, Peter; Kane, Paul; Scott, Karen
Subject:	Contingency/Update

As indicated in earlier conversations the main potential threat,in the short term, to our liquidity would come from the non rollover of our short term funding sources.The principal sources for us being USCP,ECP,Corporate Deposits, short term private placements and interbank.
The interbank market is effectively closed as a greater than one month funding source.USCP has worked well and our outstandings have been at highest levels for the year.In contrast ECP has fallen of the books as liabilities become due.The Corporate Deposit book has remained sticky throughout this crisis.
In terms of managing our liquidity we are reviewing situation on an ongoing basis and maintaining daily contact with customers and wholesale counterparties.The equity market rally of the last couple of days and the performance of Irish Bank shares in particular is certainly helping confidence ,something thats been badly needed.In addition the repeated statements from the Fed and the ECB should help the year end issue which has been proving stuborn.
With regard to your questions this morning A Its our intention to tender at the LTRO on the 12 Dec and to review our situation therafter.We may access the tender of the the 20th.As mentioned above we are reviewing corporate deposits on an ongoing basis and working to rollover customers into the new year.Clearly we have a large exposure here,3.8 billion but experience to date has been good.
On a seperate note we kicked off Fastnet 3 last week(internal securitisation of Irish mortgages) and are endevouring to close this transaction by year end.Faced with current market conditions we felt that this was the most prudent action to follow.I will keep you up to date with developments.
As I mentioned earlier I am travelling today but will be back in office mid-morning tomorrow .Should you require any further information please call Paul Kane at 6702339.

regards David

David Gantly
Group Treasurer
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Dublin 1
01 2462402 mobile 0872526579 fax 01 8291043