

DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Dé Máirt, 26 Meán Fómhair 2017

Tuesday, 26 September 2017

Tháinig an Comhchoiste le chéile ag 4 p.m.

The Joint Committee met at 4 p.m.

Comhaltaí a bhí i láthair/Members present:

| Teachtaí Dála/Deputies | Seanadóirí/Senators |
|------------------------|---------------------|
| Peter Burke, | Paddy Burke, |
| Pearse Doherty, | Rose Conway-Walsh, |
| Michael McGrath, | Gerry Horkan, |
| Paul Murphy. | Kieran O'Donnell. |

I láthair/In attendance: Deputy Danny Healy-Rae.

Teachta/Deputy John McGuinness sa Chathaoir/in the Chair.

Banking Sector in Ireland (Resumed): Allied Irish Banks

Chairman: The purpose of this meeting is to deal with matters relating to the banking sector. I welcome Mr. Bernard Byrne, chief executive officer of Allied Irish Banks, and his colleagues to this meeting.

I draw the attention of witnesses to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the House or an official, either by name, or in such a way as to make him or her identifiable.

I invite Mr. Byrne to make his opening statement. I note that it is a lengthy statement, so should he wish he is welcome to shorten it.

Mr. Bernard Byrne: Would the Chairman like me to shorten it? I am open to the Chairman's suggestion, as a copy of my opening statement has been circulated to everybody.

Chairman: I think members have read it, so Mr. Byrne may wish to emphasise parts of it. All of it will be noted as part of the proceedings.

Mr. Bernard Byrne: I will comment on the key headings and then move on.

Since we last met, the IPO for AIB has been completed, which was a significant transaction in itself. That has progressed the position of the bank and also the position of the State during that period. That is a positive transaction in confirming the position of private investors in terms of their view of the bank and realising for the State a significant amount of capital and positioning it to realise more capital as it wishes.

The financial performance of the bank, as reported in its recent half-year financial statements, continues to be positive and strong, with strong levels of capital and strong levels of profitability. The economy is one of the key issues that underpins the success and the position of the bank. That continues to perform well and strongly and it is evidenced by our ability to grow our lending position into the economy as has been evidenced by the growth in lending statistics, both in the SME sector and the housing side during that period.

One of the key issues affecting the economy at this point in time, and nationally, is housing. The severe shortage of housing is one of the factors that we will focus on quite significantly as a bank and deploy our resources to try to help in terms of the bank's position on housing. Interest rates are obviously a crucial issue in that context. The bank has recently made significant progress in terms of announcing a fifth standard variable rate, SVR reduction and positioning ourselves in terms of our front and back book positioning across the institutions. We believe the position we hold on SVR is very attractive and one that reflects the overall objective of the bank to be fair to our customer sets.

The arrears, non-performing loans and tracker issues are an important development. We have made significant progress in terms of the tracker redress scheme at this point in time. Also, in term of our overall perspective on arrears, significant progress has been made by reducing by a very significant amount the arrears position both in terms of the SME population, in terms of the construction side and the residential mortgage portfolios but we will undoubtedly talk about those later.

Brexit is a key issue for the economy and for the bank. In the short term there has been very little impact on the economic side so far but that will progress as the economy develops. Perhaps the key issue to talk about because it is not discussed significantly is what has actually changed in the economy from a banking point of view in the past eight years. One of the sections in this report deals with how the regulatory environment has changed very significantly in the past eight years, as Europe has effectively taken charge of the banking system both in Ireland and across Europe in general.

The key elements that I have discussed which are important to reflect upon is that AIB, in line with other major institutions in the country, is now regulated from Europe. We know that is the case but the effect is to have a standard common platform for deep and intrusive regulation across all key financial services companies in Europe and that provides a degree of assurance about the prudential standards being applied. The level of capital implicit in the system has very significantly increased both in terms of its quality and the way it is calculated. The amount of capital, as estimated by the Governor of the Bank of England rather than ourselves, is now about 10 times higher than before the crisis and that is because of increases in the quantum and the way capital is calculated.

The third point is that significant progress has been made on the recovery and resolution regime. Effectively, in addition to equity capital, bail-in capital is being provided. In combination with the recovery and resolution planning through which all institutions are forced to go that provides a degree of assurance that in the event of another crisis or problem emerging in any financial institution or marketplace the system is now quite robust and the rescue of any system or bank would in the first instance and, in most cases all instances, be out of a European resolution plan with the bail-in of that capital. All of that increases the cost of operating the bank in terms of complying with regulation but it provides a much more secure and sound banking system that operates to European as opposed to individual jurisdictional norms for all countries concerned and not just Ireland. As we conclude our IPO, it is worth reflecting on how that system has changed quite dramatically over that time period.

We recognise future changes such as in terms of the competitor set but fundamentally think the Irish economy is well positioned and AIB is well positioned therein to continue to support growth in terms of individual customer ambitions and industry ambition to grow and develop.

That is a quick summary of the report and hopefully is consistent with it.

Deputy Michael McGrath: I welcome Mr. Byrne and his colleagues and thank them for the information provided to the committee in advance, including the detailed questionnaire and the opening statement. Much ground such as the wider background and so on has been covered in the opening statement. I will focus on a few micro issues to start with, if I may. I welcome the recent mortgage rate reduction announcement by AIB and that it applies to all customers, both new and existing. That is an important point. AIB does not offer cashback in respect of mortgages although EBS does. I will address that issue in a moment. Many EBS customers have contacted committee members to say they feel very aggrieved that once again an interest

rate cut announced by AIB does not apply to them. Mr. Byrne might explain the status of EBS as a separate entity that is also within the AIB group and explain its mortgage pricing policy because its existing customers feel very hard done by that they do not benefit from the 2% cash-back which is offered to new customers of EBS and strongly believe - I support them in this regard - that they pay a higher interest rate than they ought in order to finance the cashback offer.

Mr. Bernard Byrne: In overall terms, the position the Deputy referred to of what AIB has offered in terms of front and back book pricing is our core principle and we believe it appropriate and fair to do that. The point was recently made by somebody other than AIB that AIB has committed a significant amount of money to cause that to be implemented across the system. A figure in the region of €190 million was mentioned. It is a very good example of the issue between front and back book pricing and its implications because to apply a rate reduction across front and back book is an expensive proposition but we believe it is the right thing to do and consistent with our proposition to customers that they do not need to look out for a better rate in the market because the rate we offer customers in terms of attracting new business is the same as the rate for the back book. That is our core proposition.

However, we do not control the market and it currently operates with a series of alternatives, one of which is cashback. That is very attractive to a certain group of customers who exhibit buying behaviour. We have a choice, either to ignore this buying behaviour or accept the fact that it is a feature of the marketplace. It has been an expensive feature of the marketplace for a period of time, so we have a dual brand strategy. We have the AIB brand, which has a very clear proposition, and the EBS brand which has implemented three standard variable rate reductions to date. It has not announced anything in the current change, but more changes may be coming in respect of the EBS proposition in the near future. The brand has a cashback offer. We operate it in the context of the market that exists in which we must operate and compete.

Deputy Michael McGrath: Can Mr. Byrne speak for EBS?

Mr. Bernard Byrne: It is part of the AIB group.

Deputy Michael McGrath: So Mr. Byrne can speak for it. Does he acknowledge the higher interest rate paid by EBS mortgage customers is directly linked to the fact it offers cash-back for new mortgage customers?

Mr. Bernard Byrne: The proposition is a different proposition, so the overall cost of the proposition needs to be balanced, whereas with the AIB offer we are putting all of our firepower into levelling rates across the system. We have not announced anything with regard to EBS at this point in time but, consistent with the announcement on the previous occasion, there will be a staggering of the release of announcements on price reductions. An announcement may well come soon in respect of EBS, but right now it has not changed. We have a switching offer, which covers the cost of switching, and we will operate with any customers to move to the AIB brand from EBS, or any other bank, if they wish, to facilitate them moving. The standard variable rate is available. We must, according to the regulatory standards, re-underwrite any reissuings of credit. We cannot simply move somebody over immediately as we must re-underwrite. For customers who have effectively demonstrated their ability to pay, it is a process where we cover the cost of any transition. There is a process people must go through, but we are very open to people moving if that is what they wish to do.

Deputy Michael McGrath: Mr. Byrne needs to understand how existing EBS customers feel, particularly those for whom switching is not an option. Typically they pay more than a

half of one percent, that is more than 50 basis points, more than corresponding AIB customers in the same loan to value band. They feel very aggrieved at this and we have been asked to make this point forcibly. Mr. Byrne is indicating there may or may not be a further announcement from EBS, but it is an issue which needs to be dealt with.

Mr. Bernard Byrne: I understand the issue, and we make the point that EBS has the second-lowest priced single variable rate in the marketplace. We do not control the market, so we have positioned ourselves as best we can in the context of the market that exists at present. I hope I have made clear our overall proposition.

Deputy Michael McGrath: On a related point, what is Mr. Byrne's view of these cashback offers? The Competition and Consumer Protection Commission, CCPC, commented on them in its recent report on mortgage pricing. I am of the view that they distort the market. They make it very difficult for customers to properly assess what is in their long-term best interest and from what mortgage product they would get the best value over the longer term. What impact would it have if the Oireachtas were to move to legislate for such cashback offers to be brought to an end?

Mr. Bernard Byrne: From an AIB perspective, as I have said, our overall thought is that the best offer, and the one that makes sense longer term for all customers, is a front and back book equalised position. This is what we have put ourselves behind. Our primary drive is not cashback offers. We have spoken about cashback offers, and the trend in other marketplaces for teaser rates or upfront cash benefits distorts the market and confuses customers with regard to where long-term value is. In general we agree with the Deputy's point.

Deputy Michael McGrath: On another point of detail, is it possible for AIB customers to move down the loan to value band and benefit from a reduced interest rate, in line with an improving loan to value ratio they might have? Is it possible for customers to benefit from getting a new house valuation from a panel of valuers nominated by the bank? Is it possible for customers who took out an original loan at a 90% loan to value ratio, and who now have a ratio at less than 50%, to benefit from the 2.75% rate if they submit a valuation?

Mr. Bernard Byrne: Yes, and we write to all customers annually and advise them of this process, but we do need valuation.

Deputy Michael McGrath: That is fine, and is it the case that they are not limited to one such reduction? Irrespective of whether they started with a standard variable rate or a loan to value mortgage, is it the case that if they now have a much improved loan to value ratio they can benefit from the reduction?

Mr. Bernard Byrne: I will ask my colleague to answer this.

Mr. Robert Mulhall: There is no such restriction, but we make the loan to value offer at the point of origination and it is worth noting we do not evaluate it the other way, whereby if the market moves in the opposite direction we do not move people in that direction.

Deputy Michael McGrath: There is a slight contradiction between what the two witnesses have said. To clarify it absolutely, if somebody gets and submits to AIB a valuation on his or her home from an approved panel of valuers that shows an improved loan to value, which brings the person into a lower band with a lower interest rate, that person will be given that interest rate.

Mr. Robert Mulhall: Yes.

Deputy Michael McGrath: That is the case.

On the issue of the tracker examination, Mr. Byrne included a few lines in his opening statement that AIB has paid redress and compensation to approximately 2,900 customer accounts to date. Will he put this in context? Are these all of the accounts the bank has identified as being affected in the current examination of this tracker issue?

Mr. Bernard Byrne: The statistics we included in the formal commentary are those which are publicly available based on our half-year results. At the half-year point, approximately 3,200 accounts had been identified and 2,900 of them had been restituted. These were people who were not on a tracker rate and who, because of contractual or transparency issues, we decided should be on a tracker rate. At present, that number has progressed to close to 97% of the 3,200 people. Since the half-year point, a modest number of further cases have been identified through the process. Importantly, we have identified a second category and I have included a paragraph on this. As part of the programme we found certain instances where customers, generally for a short period of time such as over a weekend, were put on the wrong rate. It also involves people who were moving off a one-year rate to something else, which was not properly addressed. This amounts to hundreds at this point in time. The compensation is generally very small in terms of the physical effect of the interest rate, and is less than €500. We include this group because it arose as part of the overall addressing of this section. We still consider the provision we have to be appropriate. We think it is a modest amount. Several hundred will come out of this group and the 3,200 in the affected group will rise by a little. Based on the fact that we have made much material progress, we do not believe it will be radically different, but it is a Central Bank programme and ultimately the Central Bank is responsible for reviewing us and all of the other lenders in the market.

Deputy Michael McGrath: To rewind a little to get clarity on that number, 3,200 customer accounts were affected. Does this include the extra few hundred who may have been on the wrong rate for a short period of time?

Mr. Bernard Byrne: No, we consider them as separate categories. Some of them are customers who we are putting back on a tracker or who had a tracker problem, and these are the 3,200 customers.

Deputy Michael McGrath: Right.

Mr. Bernard Byrne: The others have always been on a tracker rate, so there is no issue regarding putting them back on a tracker or that they lost their tracker, but for any number of administrative reasons we got it wrong. This could have been over a weekend or that the rate did not move at the right point in time. These are being fixed, but it was never a tracker issue. It is that they have been caught by the same programme.

Deputy Michael McGrath: They were on trackers and on the wrong rate.

Mr. Bernard Byrne: Yes. It could be the wrong rate for a period of time.

Deputy Michael McGrath: How many of them are there?

Mr. Bernard Byrne: All I can say at present is several hundred, because we have not completed the piece of work.

Deputy Michael McGrath: Let us park these several hundred customers. Of the 3,200

people who do fall under the tracker examination, how many of them are now back on the correct rate?

Mr. Bernard Byrne: The number I have is 97%, and in the next number of weeks they will all be on the correct rate.

Deputy Michael McGrath: So close to all of them, and all of them will be shortly. Payment of redress and compensation has been made to 2,900 customer accounts, so this is 2,900 of the 3,200.

Mr. Bernard Byrne: Yes, and that was the half-year number. I have given the Deputy a more up to date number with the 97%.

Deputy Michael McGrath: To clarify, redress and compensation involves paying people back all of the overcharging. They were on the wrong rate and all of this was paid back, which is the redress and this has been done.

Mr. Bernard Byrne: Yes.

Deputy Michael McGrath: Is the compensation 15% of what people were overcharged? I read this at the weekend. Is this correct?

Mr. Robert Mulhall: We have built a model on the degree of loss and appropriate compensation associated with it, so it depends on the specific case.

Deputy Michael McGrath: Is it in the region of 15%?

Mr. Robert Mulhall: Yes.

Deputy Michael McGrath: What is the range, from the minimum to the maximum?

Mr. Robert Mulhall: I am afraid I do not know that off the top of my head.

Deputy Michael McGrath: Do the witnesses mean that they are close to getting to the bottom of it and close to 100%?

Mr. Bernard Byrne: We are very nearly there with regard to the work that we can do but we cannot confirm that it is completed or concluded until the Central Bank review has taken place and that will definitely run into 2018.

Deputy Michael McGrath: What has the bank provided as the overall cost to it?

Mr. Bernard Byrne: The total provision is €185 million. That is the provision that we are obtaining.

Deputy Michael McGrath: Some €185 million?

Mr. Bernard Byrne: That was our original provision. I think we declared that €133 million had been utilised at this half-year point.

Deputy Michael McGrath: Has Allied Irish Banks carried out its own internal investigation as to how it happened?

Mr. Bernard Byrne: As we go through each grouping and cohort, we look at the root cause of each. We have considered what the causes were and how they arose. Our overall assess-

ment is that the world changed very dramatically as a result of the financial crisis in 2008. AIB reacted as the whole banking system reacted by suspending the tracker product very quickly as ECB rates collapsed and the ability to use it as a funding source disappeared. People did not think through the consequences of the suspension of the rate environment around the tracker position at that point with regard to new customers getting that rate. Existing customers who had tracker mortgages obviously continued forward. The consequences of all of these contracts and contractual positions and effectively marketed positions were not tracked on systems. As each of these issues arose, we ended up with over 40 different types of customers, some of which would be very small events while others would be larger.

It is a complete failure of the administrative system to track the complex products on it at the time. The withdrawal of the offering at that point was not properly thought through with regard to consequences of associated tracker issues. We are not surprised, when one looks at it, that everyone did it around the same time. It was as a result of what happened in the marketplace with ECB rates disconnecting completely from market rates. We are not surprised that occurred across the system. Everyone had their own challenges with regard to how they implemented that and clearly most people got it wrong with regard to the follow-on consequences for other customers.

Deputy Michael McGrath: As the CEO of the bank, has Mr. Byrne done his own investigation into how so many of the bank's customers were wrongly denied their contractual rights and did not end up being put back on a tracker rate?

Mr. Bernard Byrne: As I say, we-----

Deputy Michael McGrath: Was there a report on Mr. Byrne's desk about how this happened?

Mr. Bernard Byrne: We have not done a report on it. As part of the programme, we have looked through every cohort to understand what each cohort has. We have looked across the board at systemic issues that exist to see if there were or were not any issues. Our view on that, as we reported as part of our own systems, is that we do not feel there was a systemic or organised effort to do anything other than that people got it wrong across the board.

Deputy Michael McGrath: On a related point, the customers who are in the cohort of this 3.67% prevailing rate issue strongly argue that they should have been put on what would be regarded as an actual tracker rate. I have looked at the terms of the mortgage contract, particularly term 3.2, setting out customers' entitlement to revert to a further fixed rate at the end of their period on the fixed rate, conversion to a variable rate or conversion to a tracker interest rate at the bank's then prevailing rates appropriate to the mortgage loan. The bank seems to have arrived at the view that the prevailing rate for it is the ECB rate plus 3.67%. Has the bank reached a conclusion on that issue? Are those customers in the numbers that Mr. Byrne set out of affected customers or does the bank deem those customers to not be affected? How many are there?

Mr. Bernard Byrne: Any customer who was on a tracker, then maybe moved to a fixed rate or changed his or her position and did not go back on a tracker because of transparency or contractual issues, was returned to his or her tracker rate. That rate varies between 0.42% as a margin and 1.6%.

Deputy Michael McGrath: People who started on a tracker mortgage, went to fixed and-

Mr. Bernard Byrne: It includes anyone who had a tracker and therefore had a rate in some contract at some point and then reverted, maybe moving to a fixed rate. Then, because it was not correctly identified or the contract was unclear, or for marketing materials, or whatever the reason was for which we determined that those customers were entitled to go back to a tracker, they received that original margin. For customers who did not have a tracker, and who were affected by the prevailing rate clause that the Deputy referred to, or similar clauses, since many contracts exist, we believe that the prevailing rate for any commodity-based product or product that has a market price is the rate at which it is offered at that point. It is not offered at a historic rate or rate that has the weight of some historical averaging period in the same way as any commodity, whether fuel or an interest rate, is the rate at which it is offered today. Our view of the prevailing rate is that it is the rate that prevails at the time at which the product is offered and that is how we consider it.

Deputy Michael McGrath: Surely, in this case, the prevailing rate is the prevailing margin. That is the only issue here. The bank cannot influence the ECB rate. The prevailing rate is a certain margin above the ECB rate. Surely the prevailing rate would be the ECB rate plus the prevailing margin that applies to tracker rates.

Mr. Bernard Byrne: I do not believe so, on the basis that it does not talk about a prevailing margin. It talks about a prevailing rate.

Deputy Michael McGrath: The clause in the contract says that at the end of the fixed rate period, the customer may choose between three options. One is conversion to a tracker interest rate mortgage loan at the bank's then prevailing rates appropriate to the mortgage loan.

Mr. Bernard Byrne: That is correct.

Deputy Michael McGrath: I would read that as being appropriate to that option of a tracker rate. Mr. Byrne is saying that it would be appropriate to the rate that customers had been on. Is that how he is looking at it?

Mr. Bernard Byrne: No. It is the rate that a tracker would have been offered for at that time.

Deputy Michael McGrath: With a margin of 3.67%?

Mr. Bernard Byrne: Correct.

Deputy Michael McGrath: A margin?

Mr. Bernard Byrne: Correct.

Deputy Michael McGrath: What time period was this?

Mr. Bernard Byrne: On that margin, the prevailing rate was 4.91% when it was first introduced, as the Deputy knows, so the cost has reduced over that period. The implication is that the risk of funding off an ECB rate had changed and therefore the cost of an overall tracker at that rate was higher, considering the historical margin. In the same way we can demonstrate that the margins had changed historically - even the rates I have quoted changed from 0.42% to 1.6% - it is evident that there was a difference in margins at different times. If one looks back at this historically, standard variable rates, SVRs, and trackers were quite closely correlated for

most of history. The disconnection took place after the financial crisis following the ECB disconnecting from funding rates. The ECB rate became a non-fundable rate in the marketplace and therefore the cost of a tracker at an ECB rate would have had a higher margin and it would have equated it back in the same sort of territory as an SVR, if not higher.

Deputy Michael McGrath: How many customers are in that category of a 3.67% prevailing rate?

Mr. Bernard Byrne: I do not know.

Deputy Michael McGrath: Have they been communicated with?

Mr. Bernard Byrne: Any customer who would have inquired or sought the information would have been communicated with. They would not be part of a programme.

Deputy Michael McGrath: Has the Central Bank signed off on Mr. Byrne's interpretation of the prevailing rate in this case?

Mr. Bernard Byrne: The Central Bank has not concluded a large part of its investigation at this point. Until everything is done on that programme, the answer will be no.

Senator Rose Conway-Walsh: I thank the witnesses for the presentation. It is some time since the Central Bank warned bankers that it had been in touch with the gardaí on the issue of tracker mortgage loans being illegally taken from customers. Have the gardaí been in touch with AIB or EBS about that?

Mr. Bernard Byrne: Not that I am aware of.

Senator Rose Conway-Walsh: Okay. Mr. Byrne would be aware if the gardaí had been in touch, would he not, because he is the CEO?

Mr. Bernard Byrne: I only say "not that I am aware of".

Senator Rose Conway-Walsh: I will take it that the gardaí have not been in touch. Maybe we will take that up with the Central Bank when people from it are here with us in a couple of weeks. How many of the 2,900 families that AIB has compensated have appealed that through AIB's own process or by other means, including the legal system?

Mr. Bernard Byrne: I do not know the exact number for the appeals. I do not know if my colleague knows this. I would say that it is fewer than 100 now, but the programme is progressing and people have a year to appeal, so the statistics are currently low with regard to the number of appeals. Off the top of my head, I would say that the number of appeals is currently in the region of 40 to 50.

Senator Rose Conway-Walsh: Has any of those been resolved or does Mr. Byrne have any breakdown of the results of those appeals?

Mr. Bernard Byrne: No. There are three panels now. No bank employees or employees connected to a bank are involved with them. Those appeals are really only getting going now. I have no statistics available to publish.

Senator Rose Conway-Walsh: Are people who have lost their homes because of the situation they were put in with tracker mortgages being compensated on the basis of a new home being provided?

Mr. Bernard Byrne: The overall compensation model for somebody who has lost his or her home as a result of a tracker issue - the last time I was before the committee I said that number could be as high as 14 and we have no evidence to suggest it is any higher at this point in time - includes a full compensation package for the interest overcharged, for the redress and compensation element associated with that and for the time-value of money issue associated with the loss of the property and the tracker itself. It includes a compensation element to put the customer back into a position as if the issue had not occurred.

Senator Rose Conway-Walsh: Have there been any incidents in the bank in which somebody who has lost his or her home because of the tracker mortgage situation has taken his or her own life?

Mr. Bernard Byrne: Not that I am aware of.

Senator Rose Conway-Walsh: Since the last time AIB was before the committee, part of it was sold off. I want to get an idea of the state of play with that at the moment. Can Mr. Byrne confirm what percentage of the bank is now State-owned?

Mr. Bernard Byrne: It is approximately 71% State-owned.

Senator Rose Conway-Walsh: Do sovereign wealth funds currently own part of AIB?

Mr. Mark Bourke: Of our top 20 investors, who would have taken a significant slice of the 28%, I believe there are six sovereign funds.

Senator Rose Conway-Walsh: Which sovereign funds are they?

Mr. Mark Bourke: We would not have disclosed that information unless they owned more than 3% of the total.

Senator Rose Conway-Walsh: Do any of them own more than that?

Mr. Mark Bourke: To the best of my knowledge, no.

Senator Rose Conway-Walsh: So it is a secret.

Mr. Mark Bourke: They have to declare once they exceed that.

Senator Rose Conway-Walsh: Do the witnesses believe that it was because the bank was sold off so cheaply, it was a State asset which was being sold off, that these foreign funds were so eager to get in and buy our own State asset?

Mr. Bernard Byrne: No, it was sold at the appropriate price for the market at that point in time.

Senator Rose Conway-Walsh: What percentage was bought by Irish investors?

Mr. Bernard Byrne: Irish retail investors-----

Mr. Mark Bourke: There was a total of 10% in retail. Less than 5% is in Irish institutions. They were the two main Irish cohorts which would have invested.

Senator Rose Conway-Walsh: Can Mr. Bourke tell us who they were?

Mr. Mark Bourke: No, but it was the usual suspects in long-only investment, as the Sena-

tor would imagine. For us it was a very successful book-build, and for the Government a sale-on, because it was predominantly sold to people who would hold for a long period of time, whether they be wealth funds or long-only investors. That means the shareholder base is stable, therefore as the Government considers where to go next, it is known that the shareholder base is prepared to build from there.

Senator Rose Conway-Walsh: In the months leading up to the sale, or the 12-month period before that, how many loans did AIB sell off to third parties?

Mr. Mark Bourke: In the last year the only transaction we had was Project Cypress, which at a gross level was worth €323 million and at a net level €200 million. That was the only transaction relating to our deleveraging.

Senator Rose Conway-Walsh: How many households did that involve?

Mr. Bernard Byrne: It was a series of investment properties. There were no private dwelling-houses in it. It was buy-to-let properties.

Senator Rose Conway-Walsh: How does that compare to the 12 months before that?

Mr. Bernard Byrne: It was higher.

Senator Rose Conway-Walsh: It was higher in the lead-up to the-----

Mr. Bernard Byrne: Project Cypress was the only large transaction in that period.

Mr. Mark Bourke: The context of that €200 million is that as we have reduced the level of bad loans from €29 billion in 2013 down to €7.8 billion in June or July of 2017. The vast majority of that reduction, all but one other transaction, has been achieved through individual restructuring - 40,000 individual mortgage restructurings and 20,000 individual business restructurings. That is just for context in terms of portfolio disposals.

Senator Rose Conway-Walsh: What is now the value of the shares which were bought for €3.4 billion?

Mr. Mark Bourke: The overall value of the equity is €13.1 billion. That is 100%. The State's holding is today worth €9.3 billion. The difference between the two is the value of what was sold.

Senator Rose Conway-Walsh: So the value of the shares which were sold off was €3.4 billion.

Mr. Mark Bourke: Some €3.4 billion was raised.

Senator Rose Conway-Walsh: What are they worth today?

Mr. Bernard Byrne: The market price was €4.40 when issued and is approximately €4.80 at this point in time.

Senator Rose Conway-Walsh: It is €4.80. Somebody has made a tidy profit. Is the bank continuing to sell residential loans to vulture funds?

Mr. Bernard Byrne: First, we have not sold residential loans to private equity funds. We sold a portfolio of buy-to-let properties - investment properties - as we have said. As Mr.

Bourke has indicated, we are on a programme to reduce our level of non-performing loans to the European norm. We have a commitment effectively to achieve that by the end of 2019. At this time, the vast majority of that reduction is being achieved through case-by-case restructuring with individual customers.

Senator Rose Conway-Walsh: Is it residential loans which the bank will be selling off?

Mr. Bernard Byrne: I said that the majority are resolved through case-by-case restructuring.

Senator Rose Conway-Walsh: That accounts for the majority of loans which the bank resolves, but is AIB selling houses that are the subject of non-performing loans, in which people are living right now, to vulture funds?

Mr. Bernard Byrne: At the moment there is no such portfolio on the market.

Mr. Jim O’Keeffe: For a point of clarity, the Project Cypress portfolio which the bank sold and to which Mr. Bourke and Mr. Byrne referred was a portfolio of investor loans taken out by landlords to create a rental market. We have not sold any private dwelling houses at this point. We do not have any plans or have anything on the market in respect of private dwelling houses at this point.

Senator Rose Conway-Walsh: Okay. The bank has obviously made projections for the next 12 months. In the next 12 months we can say that AIB will not be selling any non-performing loans.

Mr. Jim O’Keeffe: For a point of clarity, I am not saying we will not be selling any non-performing loans. I am saying we do not have plans in place to sell private dwelling homes at this point in time. Clearly, from an overall point of view, I cannot give the Senator absolute assurance about timescales, but there is no project in place at the moment in this regard.

Senator Rose Conway-Walsh: In respect of housing, it is reported that AIB will launch a proposal on housing soon. Is that accurate?

Mr. Bernard Byrne: We have been developing our thinking around housing and what we are trying to do in this area. As part of the overall development of our thinking, we will have a report in the same way as we have had reports on the dairy sector, the farming sector and all key sectors. This will set out the position which we believe that we as a bank, having consulted the industry, can participate in as providers of senior debt. It is part of moving the conversation forward and, by allowing everyone to understand what we can do and where we see obstacles in respect of providing more or less finance, to progress the discussion. We will be launching something, but it will be entirely consistent with the 13 other reports which we have launched over the past two years around industry-specific themes.

Senator Rose Conway-Walsh: Is it correct that it will facilitate the purchase of 150 houses?

Mr. Bernard Byrne: The report *per se* will not. In terms of our overall position on what we are trying to do on housing, we think of it in terms of the finance we provide to private developers for affordable housing, social housing and student accommodation. In overall terms, at this stage we are providing finance for approximately 3,000 units which are in development on the private development side. On the student housing side, we are providing finance in the

marketplace for approximately 1,500 units. I believe the number of 150 has come from some of the provisions on the social housing side. On the affordable housing side, there is a particular programme in terms of working with the housing agencies.

Mr. Jim O’Keeffe: When we were before the committee discussing this on the previous occasion, a point was made about providing social houses or houses to the Housing Agency. We would have referred to an initiative launched by the Housing Agency where it was working with the financial sector and a pool of approximately €70 million to try to acquire property at that point. From our perspective we have fully engaged, and before the end of the year we will contract approximately 280 properties into that initiative. We expect that we will take the vast majority of that funding. From our understanding with the Housing Agency we will account for approximately €55 million of the €70 million made available to the financial sector. We have made good progress with the Housing Agency in that regard. We found the process to be good and we invested many resources to help co-ordinate the activity across the group. Once the fund is replenished by the agency - it will sell properties to the approved housing bodies - we will be in a position to engage further with them on the properties.

Senator Rose Conway-Walsh: Has anybody in government approached the bank around playing a more active role in addressing the housing crisis?

Mr. Bernard Byrne: We are actively engaged with all stakeholders in terms of positioning and what we are trying to do. The housing report referred to by the Senator is another piece in moving that forward. As Mr. O’Keeffe mentioned, we are engaged with housing bodies and various departments on individual and specific matters. Our role, ultimately, is as a provider of finance into part of this. We are not somebody with the very broadest view in respect of all elements associated with the housing piece. We are happy to participate in any aspect of it but we do not see ourselves as the source of wisdom in respect of all of it.

Senator Rose Conway-Walsh: I welcome the role being played by the bank but because of its size, it could play an even more significant role in addressing what is the real crisis. I will touch on a topic covered by Deputy Michael McGrath, the confirmation by the witness of his role as chief executive officer of AIB and EBS. Is he chief executive of the whole operation?

Mr. Bernard Byrne: I am the CEO of AIB Group, which includes the AIB and EBS brands as separate licensed entities.

Senator Rose Conway-Walsh: It is a bit confusing for people with the setting of two different strategies and sets of policies for two different sets of customers. It almost creates the illusion of competition and the running of two banks. There is an integral unfairness there as customers are treated differently, and I suppose that is why we have been contacted as a finance committee by customers aggrieved in that way. The witness is CEO of the joint operation.

Mr. Bernard Byrne: The alternative position is that we are creating quite a bit of competition in the market and we have different propositions in the market. We give customers choice and that is reflected with what customers seek in the market. That is the way it responds. The EBS brand is approximately 10% of the market in overall terms and we see it as a vibrant competitor that is a different proposition for customers in the market.

Senator Rose Conway-Walsh: AIB needs to listen to its customers and what it tells us.

Mr. Bernard Byrne: We do.

Senator Rose Conway-Walsh: It should take it on board.

Senator Kieran O'Donnell: I was slightly delayed so the issue I will raise may have been covered. A significant number of people have contacted us about the differential in rates between EBS and AIB. This may have been discussed but will the witnesses reaffirm the position? The standard variable rate for AIB is 3.15% and for EBS it is 3.7%. Where there has been a reduction in the ECB rate AIB normally passes it along but that does not appear to be the case with EBS. Why is that?

Mr. Bernard Byrne: I will re-cover the ground slightly. The recent rate reductions have been under the AIB brand and position and that confirms our long-standing position of front and back book pricing and implementing price reductions for existing and new customers. AIB is leading the way in that regard. I have said that is our overall view on the best way for the market to develop but we do not control the market, which is made up of different pricing propositions.

Senator Kieran O'Donnell: The group has concerns with EBS.

Mr. Bernard Byrne: Yes. I will go back to the competition point. There is a cash-back offer system in the market and a number of customers find that attractive. As long as the cash-back system is in the market, we cannot ignore the fact that customer behaviour means they find it attractive. In the EBS franchise we have implemented three price reductions and it has the second-lowest standard variable rate in the market. There are cash-back offers in existence.

The second point-----

Senator Kieran O'Donnell: Cash back is only relevant for new customers.

Mr. Bernard Byrne: Yes and there is a cost. This was one of the lines of inquiry a moment ago. There is a cost to implementing a cash-back strategy that exists. The question was around equivalence and whether we should equate the two; whether, in effect, cash back and a higher rate is the same as the lower rate. There is clearly a cost to each strategy and one must consider them separately. We have said the AIB brand has come out at this stage with its next positioning and EBS has not, at this point, announced something. Consistent with the last time we implemented this, there is a staggering in terms of individual brand positions.

Senator Kieran O'Donnell: The witness would appreciate that somebody with a mortgage with EBS that is similar in profile at every level with that of an AIB mortgage, and considering that AIB owns and controls EBS, would pay a different rate. Surely there should be consistency across the group in terms of the standard variable rate charged to existing customers. I am not referring to new customers but to ordinary people who found themselves with EBS, which was taken over by AIB. Their sisters or brothers on the exact same type of loan or profile may be paying 0.5% more on the standard variable rate.

Mr. Bernard Byrne: First, EBS has not announced anything at this point. I am not calling what it will do as it will be a different proposition.

Senator Kieran O'Donnell: I presume it reports to Mr. Byrne.

Mr. Bernard Byrne: Yes. We have not announced anything at this stage so I am not in a position to confirm what it will be over the next while. People have benefitted already, as there have been three standard variable rate reductions in the EBS brand that I do not think would

have taken place if it was an individual entity. It would not have been able to afford that position. Second, there is a switcher position that we have in place and we obviously cover the cost of switching, as we pay €2,000 for that. I made the observation that under regulatory requirements, we must re-underwrite if new credit is offered. For a customer with an existing position and where the customer has demonstrated the ability to pay down, the underwriting process should be relatively simple. That is the requirement we have. We would make it clear there is no incentive for anyone in the system to prevent that occurring.

Senator Kieran O'Donnell: Would it be fair to say the tracker book in AIB as a percentage of the overall book at 34% is on the low side relative to some of its competitors?

Mr. Bernard Byrne: I suppose.

Senator Kieran O'Donnell: Following from that, what is the rate of tracker mortgages as a percentage of the loan book that EBS would have? Would it feed into the fact-----

Mr. Bernard Byrne: No.

Mr. Mark Bourke: It is more or less the same.

Senator Kieran O'Donnell: I assume EBS reports to Mr. Byrne and he is on the board. Normally we might get one email on an issue but we have had floods of email on this. It is a live issue for AIB and we ask for consistency on it.

Mr. Bernard Byrne: I hear the Senator.

Senator Kieran O'Donnell: There are a few practical questions. The word is KPMG is at AIB now looking at its loan book and doing due diligence for the potential sale of loans. The witnesses spoke earlier about getting ratios down to a certain level for the loan book. Will the witnesses confirm if KPMG is doing due diligence on the loan book? There is a nervousness in the small and medium enterprise sector and the home loans sector about a large proportion of the AIB loan book being sold to a vulture fund and the implications for them. Will the witnesses deal with that specific matter?

Mr. Bernard Byrne: I will not comment on individual advisers but I will cover the overall commentary. We have an obligation to get down to the European norm under ECB supervision. I covered that in a broad introduction earlier. We have 1,500 people still in our financial solutions group working on case-by-case restructuring of cases and the predominant recovery options tend to come from case-by-case restructuring. We are eight years into this position at this point and we strongly encourage all customers to ensure they actively engage. If customers engage and we can find any solution, we will. The last portfolio we mentioned, the buy-to-let portfolio, had 80% of customers not engaging for 720 days. What we tend to find is that non-engagement has been one of the key features for a while. We will end up with portfolios moving into a disposable position. That is one point. We cannot allow and will not be let allow a position where these things drift on forever, so we must address them. I do not know whether Mr. O'Keefe has any extra points to make in respect of that.

Senator Kieran O'Donnell: Would it be fair to say that, as of this moment, AIB has not sold on any home loans or SME loans *per se* to any vulture funds?

Mr. Jim O'Keefe: We spoke earlier on the loans we sold, which were investment loans for buy-to-let properties. That is the position.

Senator Kieran O'Donnell: And, obviously, the other loans that would have gone to NAMA in terms of development.

Mr. Jim O'Keeffe: Exactly. At the original stage.

To follow on from Mr. Byrne's point, our preferred route continues to be to work with customers so that if there are any who are concerned or have questions on this, we have a team of 1,500 people who are, as Mr. Byrne outlined, engaging every day and putting solutions in place. It is our preferred way to solve the problem so I encourage people to come forward and work with us.

Senator Kieran O'Donnell: What is coming up with the SME sector we are meeting - I refer to family-owned businesses and so forth - is that, in certain cases, some of their loans are very much asset based. During the relevant period, they would have invested in property, in many cases in regard to the business. They now find their loans may not be sustainable at the current level but that the asset values in respect of those loans may cover a much higher proportion of the loans. They are extremely nervous about the possibility of their loans - including home loans - being sold to a vulture fund. It is getting to a point where most of them are actually engaging with AIB. What view does AIB take of someone who comes to it and who has a loan that is not sustainable at its current level in terms of the core business the person is in but who has, in many cases, businesses in buildings that are probably of a higher value? Such people are worried that their loans will be sold as a bundle to a vulture fund, with the result that businesses they built up over five to 20 years will be gone. What is AIB's view on the writing down of loans that are asset backed?

Mr. Jim O'Keeffe: I will comment on it. It is difficult to comment on the specific cases.

Senator Kieran O'Donnell: It is a pretty common theme.

Mr. Jim O'Keeffe: The key point from our perspective, regarding which we probably differentiate in the market, is that when people do come forward, we consider the affordability and we do compromise. We have compromised significantly. Mr. Bourke spoke about this earlier, referring to where we moved from €29 billion at the start of cycle, when we had €17 billion in provisions, right to where we are today, with about €7.8 billion of non-performing loans, NPLs, and probably-----

Senator Kieran O'Donnell: AIB is doing write-offs.

Mr. Jim O'Keeffe: Absolutely.

Senator Kieran O'Donnell: Even where they are asset backed?

Mr. Jim O'Keeffe: One would have to examine the individual cases. What we do is try to maintain the sustainable business. Where the assets are associated with that sustainable business, then we take that into account. Very often we see that it is not those assets that have caused the problem but assets that were peripheral, such as investment properties, that may have come on board. What we do is agree a consensual arrangement with the borrower to sell those down with us.

Senator Kieran O'Donnell: It is coming across more particularly in regard to farms. In some cases, one might have borrowed to invest, the security being the family farm. Effectively, the land is worth a lot more than the sustainable value of the loan. What view is AIB taking on

farms? AIB would probably have the largest number of agriculture or farm loans.

Mr. Jim O’Keeffe: Again it is probably difficult and dangerous for me to generalise but, with regard to the farming sector, we have taken a very proactive and engaging role in making sure we can sustain farms, including family farms, where we can. When we consider the matter, there are options. When we consider the value of the property, we obviously have discussions with the farmer and ask whether there are holdings within the overall holding that may be suitable for sell-down to allow the overall piece to be sustainable afterwards. The key point is that we use the word “compromise” when we talk about debt write-down because there has to be compromise on both sides. Ultimately, it is taxpayers’ money we are using to right-size these loans. We will compromise on the debt but we have to see something coming forward on the other side also in the majority of cases.

Senator Kieran O’Donnell: When does AIB anticipate that the ongoing review of the loan book will be concluded, and when will a decision be made as to whether it is selling on a significant proportion of its loan book in respect of the SME and home loan sectors? The buy-to-lets have been dealt with at this stage through selling on.

Mr. Bernard Byrne: In overall terms, the commitment we are communicating is that, by the end of 2019, we will have got to a European norm. One can take that as a three-year time-frame to which we will be progressing. The work we do to come up with individual arrangements is quite consistent with the work done to put a portfolio together, including putting the data together and figuring out the file case. Our experience, from the one example we have referred to-----

Senator Kieran O’Donnell: It is a dual strategy, a parallel strategy.

Mr. Bernard Byrne: It is all running and the position we talked about in terms of the portfolio we did sell is that a very significant number of customers resolved their issues well before anything occurred.

Senator Kieran O’Donnell: The question I am asking is a pinpoint question. Could we have a situation in the not-too-distant future in which AIB will be selling a substantial SME or home loan book to a vulture fund?

Mr. Bernard Byrne: We have covered the home loan piece in saying we are not actively looking-----

Senator Kieran O’Donnell: What about the SME sector, including the agriculture loan book?

Mr. Jim O’Keeffe: As I said, even when we were talking about the family homes, the focus is on segmenting the portfolio as we go forward. Clearly, our preference is to work with SMEs, including farmers, and family home owners to sustain the businesses and protect the family home. Therefore, one is more likely to see us operate in some of the investment asset classes as we move through the portfolio in the earlier stages. We have to prioritise but obviously the work we are doing, bearing in mind what we are doing with the investment loans, is creating an opportunity for us to work with families and SMEs.

Senator Kieran O’Donnell: Let me narrow it down and ask a specific question. For the SME and farming sectors, could there be circumstances in a relatively short period, as in over the next two years, in which their loans that are currently with AIB could end up being sold to

an investment fund or vulture fund?

Mr. Jim O’Keeffe: I could not give the Senator guarantees we would not do as described over that timeframe. What I will guarantee the Senator is that over that two-year period, it would be very reasonable to expect, if we work it the other way, that people would engage with us and that we would find solutions that would negate the need for their loans to be sold on.

Senator Kieran O’Donnell: Including write-offs.

Mr. Jim O’Keeffe: As I mentioned earlier, we carry out an affordability assessment to make sure the compromise is appropriate for the case we are dealing with, but that is what is on the table when people engage with us today.

Mr. Bernard Byrne: I have one point on that. When we looked at the last portfolio set, some people afterwards introduced brand new sources of income and of repayment and asked whether they could be dealt with at that point. It is too late.

Senator Kieran O’Donnell: My final question is on the housing crisis. The witnesses made reference to providing funding to an affordable housing body, which is to be welcomed. I welcome the most recent reduction, of 0.25%, in the home loan rate. It is kicking in this November. Am I correct?

Mr. Bernard Byrne: Correct.

Senator Kieran O’Donnell: I hope many others follow suit. With regard to developers and builders, what is the extent of the new loan book at present? How many house builds does it actually involve?

Mr. Bernard Byrne: Our overall objective in respect of this exercise is to provide approximately 30% to 40% of the addressable market. Obviously, a number of self-builds would fall outside that, probably, because they would be financed by mortgage business. I came up with four categories - private developers, affordable housing, social housing and student accommodation.

Senator Kieran O’Donnell: I am talking about private developers and affordable houses where a person is seeking to buy a starter home.

Mr. Bernard Byrne: We are providing finance for 3,000 units under construction.

Senator Kieran O’Donnell: In what sector?

Mr. Bernard Byrne: The private developer sector. The developments are principally aimed at first-time buyers, but there are others.

Senator Kieran O’Donnell: How many are based in the greater Dublin area and how many are based outside Dublin?

Mr. Bernard Byrne: I do not have that split, but the majority are in the greater Dublin area.

Senator Kieran O’Donnell: To what does Mr. Byrne anticipate the figure will grow?

Mr. Bernard Byrne: Roughly, €100 million will cover 1,000 units. We expect that before the end of 2018, our limits will probably be closer to €1 billion or €1.5 billion in terms of facilities committed to in the market. That works out at 10,000 to 15,000 units.

Senator Gerry Horkan: I have a couple of questions, but I will try not to cover stuff already dealt with.

On new business, there are many people, particularly in Dublin where there are high rental costs, who if they could secure a mortgage would pay a significantly lower amount than they do in rent. Nevertheless, they have a major difficulty in either finding or saving the deposit, as they might be paying €2,000 per month in rent for a three-bedroom house. The mortgage repayment on the property might be €1,200, but they are not in a position to save. Equally, the amount spent over six, seven or eight years on rent is not being counted by the bank. The people in question argue that they cannot save because all of their money goes on rent. They are not gambling or spending it on nights out or holidays. It is going on rent. Are there solutions to be offered to them such as the bank taking into account the fact that they are spending the money on rent? They could show records from landlords or of transfers in bank accounts to landlords over a period of time. Is there any way the bank could take into account their genuine ability to pay back a mortgage based on rental payments?

Mr. Bernard Byrne: I will ask my colleague, Mr. Mulhall, to comment on this issue, but it is important to focus on the immediate matter - the complete lack of supply. One of the issues affecting all of the aspects referred to by the Senator concerns the distortion on the rental side of the market and the overall position because of the lack of supply. We are dealing with an aberration at this point. Mr. Mulhall will speak about the mortgage criteria and how we consider applications.

Mr. Robert Mulhall: It is worth mentioning that across the AIB group we account for approximately 36% of the mortgage market. We are supplying over €2 billion in new-----

Senator Gerry Horkan: Is that 36% of the historical or new market?

Mr. Robert Mulhall: The new market. We are particularly strong in the overall first-time buyer market, in which we are in the high 40s in percentage terms. First and foremost, we are very active in this market.

The Senator mentioned the building of deposits and inherent rental costs, which are an issue. With every other lender, we are subject to macroprudential rules to ensure applicants have accumulated deposits. That is non-negotiable and we must ensure they have such evidence. Beyond that and assuming they pass that hurdle, our threshold is linked with affordability. As part of the credit criteria we take into account current spending patterns and what will be displaced when applicants move from rental accommodation. They must be able to demonstrate affordability, repayment capacity and deposit accumulation.

Senator Gerry Horkan: Mr. Mulhall is saying and we accept that the issue with deposits arises from Central Bank rules. The bank takes into account applicants' current circumstances and the fact that salaries are used to pay rent. The money would be available to pay the mortgage instead.

Mr. Robert Mulhall: Correct.

Senator Gerry Horkan: On staff numbers, there are approximately 10,000 staff, almost half of whom were recruited in the past four years. The figure is approximately 44%. Therefore, nearly half of the staff across the entire network were recruited in the past four years.

Mr. Bernard Byrne: The figure is 4,400.

Senator Gerry Horkan: We raised this issue last week with Bank of Ireland and will ask all of the banks about it. It concerns the bank's branch network and the services to be provided. Other competitors have moved to a process that they do not describe as cashless, rather they use the term "non-over-the-counter transaction branches". Cash is available from the machines, but one cannot deal with a human being. Does the witness have any thoughts or ideas as to where the bank's branch network is going? Is it likely there will be many more branch closures or restructuring?

Mr. Bernard Byrne: The major rationalisation, implemented as part of the EU restructuring plan, was around 2011 and 2012 and we closed approximately 70 branches from 270 AIB branches. Since that time, the net movement has been to open three branches. We cannot say we will not look at the overall network over time but there is no big or immediate plan to look at the overall estate from that perspective.

In a different position from some of the competitors, we have effectively maintained that full service offering across the network. We took a reduction piece but in terms of the offering that exists across the network, we have a very high degree of consistency in terms of that offering. Our customers tend to find they understand what will be offered at all points in time as we tend to offer it through the network at that point.

Mr. Robert Mulhall: The Senator raises a very valid point. As Mr. Byrne mentioned, we opened three outlets. They are fully self-service types of devices but we have a full staff complement to assist customers, and in that regard we get very positive feedback from customers. In all other locations, as Mr. Byrne mentioned, we have kept what may be called "optionality". With the technology on offer around self-service devices and enabling cash transactions over self-service, it must be noted that this process also offers large availability. We have 20 lobbies operating across the country from 8 a.m. to 9 p.m., with full service availability of transactions. There are two sides to the discussion and the reality is we do approximately 1.6 million transactions per day, with less than 10% of those manually conducted. This is a movement of society as much as anything else. As Mr. Byrne said, we are very keen to keep the optionality open and we ensure to provide service on that basis.

If I may, I will mention our arrangement with An Post, where we offer transaction services in over 1,100 An Post outlets across the country. In 2016 that accounted for 4.3 million transactions alone. From that perspective we believe we are offering a high level of availability of service transactions to our customers.

Senator Gerry Horkan: Bank of Ireland stated only 2% of its transactions were manually conducted, so it seems AIB is doing five times as many such transactions.

Mr. Robert Mulhall: I do not have the precise figures so it is a broad figure. It is certainly north of 9%, if not higher.

Senator Gerry Horkan: Mr. Byrne's opening statement mentioned funding for zoned non-planning permission land was a concern.

Mr. Bernard Byrne: This is part of the overall perspective on the financing needs of the developer community. It is important we learn the lessons of the past and the banks should and do focus on senior debt. Therefore, those aspects of the entire financing chain that really need significant equity contributions are where the market is more stuck at this point. I specifically mentioned in the land area what is effectively an equity arrangement rather than a debt-facili-

tated arrangement. It is equity risk as there is no path to cash, and if there is no path to cash, it is not really financeable by debt. That is the logic.

Senator Gerry Horkan: For people looking in who are not experts, the witness is basically saying the bank is there to help them build once they have bought land with equity investors or their own cash or whatever. The bank will finance the building once there is a sure bet. I accept the logic of not going back to buying fields all over the place with the idea they may get zoned. They may not get zoned. That probably gave us some of the headaches that we had. The bank is saying it is available to help construction.

Mr. Bernard Byrne: It works if the land is zoned with planning. Without the planning, as I hope I was helpful in explaining-----

Senator Gerry Horkan: If someone has land zoned and planning permission on it, and if somebody wishes to buy that land, the bank would be willing to finance it.

Mr. Bernard Byrne: In that case there is a route and one may determine the timeframe over which something could occur.

Senator Gerry Horkan: I am conscious of the time and many other members wish to contribute. There are the challenges of Brexit for the bank's own network and the wider Irish economy. There are potentially some benefits to Brexit. Overall, we all acknowledge that we wish Brexit had not happened and that we would be better off if it did not happen. Where do the witnesses envisage the challenges and benefits to AIB and the wider Irish economy? As they pointed out, AIB is one of the largest lenders in the economy and it is seeing the trends every day.

Mr. Bernard Byrne: The first of the main risk factors is the uncertainty. Uncertainty is never a friend of any investor or business. That is problem number one. The other factors relate to how certain sectors will be affected because of their large trading position in the UK. People talk in this context about the agrifood sector and certain aspects of that, in particular. There are also regional influences given the considerations and lack of clarity over how the border issues will develop. These are just three pieces but there are more.

I will outline what we try to do. We have 21 Brexit advisers appointed across the network to work with SMEs to inform them of what is going on. Many SMEs do not necessarily have the opportunity to understand the detail. It is also a question of figuring out what we, as a bank, can actually do. Therefore, it is a two-way pipe in terms of understanding the positioning. The solution set depends on the size or nature of the business. Some businesses that have very significant activities in the UK will seek to position part of their businesses in the UK, effectively to eliminate the risk of a separation. That will take place, so there is an investment that people need to make. It is sometimes quite a significant move for people who have operated indigenously to establish in two locations. On the other hand, there will be some opportunity for UK entities coming into Ireland to invest. We are positioned to try to deal with that.

Until there is greater clarity as to what is actually happening, it is about preparing. The currency move has obviously taken place. I am not saying it is over in terms of a sterling effect but a lot of businesses have had to address and deal with that. Businesses have actually weathered that probably better than people might have thought possible. There have been some countervailing benefits in terms of commodity prices which have probably helped but, to date, the phenomenon has been muted, other than in respect of one or two individual sectors that have

suffered more dramatically because of totally currency-related effects. It is muted at present but we need clarity.

Senator Gerry Horkan: Mr. O’Keeffe stated the non-performing loan value dropped from €30 billion to €7.8 billion, which is a very significant reduction. Credit has to be given for the reduction. Could Mr. O’Keeffe outline how the €22.2 billion, or thereabouts, has been resolved or taken out of the non-performing loan section, how much involved debt forgiveness and how much involved selling off to vulture funds or private equity funds? How many paid the full amount? The figure dropped from €30 billion to €7.8 billion, so some of the €22.2 billion must have been written off. I hope much of it was repaid. Do the witnesses have the figures to let us know what happened?

Mr. Jim O’Keeffe: My colleagues are opening the financial report as we speak, and they will have the breakdown in front of them. The majority of the work will have been on restructuring and, as a result of that restructuring of cases-----

Senator Gerry Horkan: They are down but just not non-performing loans-----

Mr. Jim O’Keeffe: I will ask Mr. Bourke to give a breakdown of what was restructured and written off.

Mr. Mark Bourke: The best way to talk about it is just to say we started with €17.9 billion in provisions and that we are now at the €4 billion level. Therefore, €13 billion in provisions has been involved in a combination of 40,000 mortgage-related restructurings and 20,000 SME restructurings.

Senator Gerry Horkan: Were the provisions used up or written back? Movement in provisions can happen for many reasons.

Mr. Mark Bourke: No, one can basically say that about €1.3 billion essentially cures that. We have had write-backs over a couple of years but the vast majority of the total - €11 billion or €12 billion - has actually been consumed through the restructuring process, meaning that it has essentially been written off.

Senator Gerry Horkan: The reduction from €30 billion to €7.8 billion is approximately €22.2 billion, about €12 billion of which was written off. Some has been paid back but a lot has been moved into performing loans.

Mr. Jim O’Keeffe: Exactly. There is a split in terms of what is written off. The residual has come out of the non-performing loans into performing loans, and the customers concerned are working with us today. Their loans are now performing. They would have agreed asset sales with us whereby they were going to dispose of assets over a period. A significant number are working with us to proceed with that.

Senator Gerry Horkan: If the €12 billion was written off and the reduction was in the order of €22.2 billion, the difference would be approximately €10 billion. Of that €10 billion, do we know that €6 billion has been repaid and that €4 has gone towards performing loans? Alternatively, has €8 billion gone towards performing loans, with only €2 billion being repaid?

Mr. Jim O’Keeffe: I am trying to recall the split. It might be better if I came back to the Senator on it.

Senator Gerry Horkan: On non-performing loans, the reduction from €30 billion to €7.8

billion is impressive, but since the bank was 100% owned by the State when this happened, the shareholder, the State, has ultimately taken the hit. I accept and hope the sales of the shares may over time yield a return of 100% or more. The more, the better, but I was intrigued by the question about how it was all resolved.

Mr. Mark Bourke: For redemptions and cures, the figure is probably €8 billion of the total of €28 billion. For fundamental restructurings, the figure is €6.9 billion, or was as we moved into the half-year period.

Senator Gerry Horkan: Mr. Bourke is now saying the figure is €8 billion. Earlier it was said the provision was reduced from €17 billion to €4 billion, a reduction of €13 billion.

Mr. Mark Bourke: Yes, but I am talking about the actual loan stock of €28 billion. Of the original loan stock, €8 billion in total has actually been repaid or redeemed.

Senator Gerry Horkan: It is still there.

Mr. Mark Bourke: There is another €7 billion, approximately, which has been restructured-----

Senator Gerry Horkan: The rest represents the write-off.

Mr. Mark Bourke: There is the element that is clearly left at the end - €7.8 billion as of July 2017 - and which we will continue to work through.

Mr. Bernard Byrne: To ruin the Senators' maths, in the period from when this happened, 2013, there was probably another impaired sum of €4 billion. Therefore, the starting number went up.

Senator Gerry Horkan: Is it actually €34 billion?

Mr. Bernard Byrne: Yes. More impaired loans would have come into the system. We started with the number-----

Senator Gerry Horkan: I am only using the figures in Mr. Byrne's opening statement.

Mr. Bernard Byrne: Absolutely. We are now trying to reconcile something different. There is a moving part. More impaired loans would have come into the system during the period.

Senator Gerry Horkan: Approximately €12 billion was written off or that amount was used up.

I have a brief final question. Regarding the head of homes title in various parts of the bank's network, what does the head of homes actually do? Does it basically involve approving mortgages on behalf of individuals-----

Mr. Robert Mulhall: The Senator is specifically referring to our local markets, our branch network and how we have organised. The head of homes specifically facilitates the dialogue with customers to ensure we have the best service offering we can offer in mortgage underwriting primarily and to understand the marketplace and make sure, from a proposition perspective, we are advancing our business.

Senator Gerry Horkan: It is dealing with new mortgage customers and approvals as opposed to actually building homes or anything like it.

Mr. Robert Mulhall: Correct. It is a consumer role.

Deputy Pearse Doherty: Fáilte chuig an coiste. Does Mr. Byrne believe there is a risk of a property bubble occurring in Ireland, either in the housing or the commercial sector? Does he believe we are seeing the signs or ingredients of a property bubble?

Mr. Bernard Byrne: What we clearly have is a significant shortage of supply at this time and it is causing an elevation of what is happening on the rental side. It is increasing prices for that scarce supply. The level of debt to fund it is modest because a significant number of cash buyers are in the market and because of the prudential rules on the residential side, it is not resulting in people being stretched. On the commercial side - this is also part of the question - the level of equity involved is very significant in terms of individual players and positioning in the market. In terms of the off-take, the covenants and positions are looking pretty good. I am not somebody who would ultimately call it as to whether there is a bubble, but, in terms of the conditions at this time, I do not believe there is, particularly based on historical levels and affordability levels.

Deputy Pearse Doherty: When we talk about a property bubble, we remember the scars of the past. The bubble of the past was very much credit-fuelled. However, a bubble does not necessarily have to be credit fuelled and obviously this one is not. Some would argue we are seeing artificially high values that have risen significantly over a short period of time, which is a type of bubble. A bubble would mean that this will bust and those values will come down. The factors that caused that in the past include credit. Now it could be that the factors causing it include cash buyers, that is, non-debt buyers, in the market, who are buying 50% of homes, and some of the larger funds, including pension funds, which are snapping up commercial property. That is perhaps the reason we do not need to be as concerned as we were in the past about the debt that underpinned it. However, 50% of the market is relying on debt and the other 50% is cash buyers. If people are taking out mortgages or entering into debt with banks and they are in a game where the prices have been artificially increased, when the pin comes out and the bubble bursts they will see themselves in a worse situation. The bank will probably be okay given the loan-to-value ratios are on average about 79%. They can absorb it. However, I am thinking from a customer point of view. Does Mr. Byrne believe that house prices and commercial property prices are artificially inflated at this point in time and that they would not be at these levels in a normally functioning market?

Mr. Bernard Byrne: We have mentioned the fact that supply is not normal at this point in time, so there is a characteristic in the market that is not normal. Therefore, there is a scarcity value associated with residential property. I do not think it is a scarcity value that is associated with the commercial real estate, CRE, side. That is a different point. On the residential side, perhaps a comfort point exists around the ultimate construction cost and the development cost of properties relative to the pricing that exists in the market. There is quite a bit of evidence to suggest that pricing needed to rise in the context of a whole series of things. I am happy to give my thoughts, for what they are worth, in respect of those things. However, effectively, the construction costs that exist at this point in time and the development costs of the entire cycle are in line with where prices are getting to as opposed to being completely distorted relative to where prices are at this stage. That, coupled with the affordability piece, which means that affordability is very strong, and macroprudential, as we said, gives protection around that, means that in the market, where prices are at this point in time, it is likely that there will be a significant number of buyers for a very long period of time who can afford those properties. That, coupled with the pricing aspect from a development point of view, suggests that it is not

in a bubble space.

Deputy Pearse Doherty: This committee should pay attention to concerns that have been raised. It is to be hoped that we will not be poring over this transcript in ten years time and saying Mr. Byrne said this and gave us all these reassurances. However, individuals and organisations have raised concerns about what has happened in the market. For example, the OECD expressed concerns in a report in June about a potential bubble. The tax strategy papers of the Department of Finance speak about commercial property and the risks to the market if these funds were to quickly leave the State. Other individuals and economists would make the same arguments. I am very concerned, particularly about the commercial property market, given the level of increase we have seen in the past number of years. While there are different ingredients, factors and reasons, does Mr. Byrne share any of those concerns that we could see a sudden drop in commercial or domestic property prices?

Mr. Bernard Byrne: In thinking about any of these, I try to factor in all of the available points. If it is helpful to say I am concerned, I am concerned about thinking about all of those aspects. The position right now that I get to, however, is a net position when those things are factored in, based on the information we have and our assessment of where the economy is, what the likely growth in the economic position can be, what is happening from a demographic point of view and what is happening from an investment and inward investment point of view. If those pillars are removed, the risk profile changes and the position needs to be considered in that context. My thoughts and the bank's thoughts on it at this point in time are that the position is a balanced position, factoring in the conditions that exist in the market. Obviously, as an institution we test, which is our first obligation, our position relative to stresses that can emerge. We look at events that could take those things away, to ensure that the bank is in a position where it can support and sustain that position. That is something we do, but our base case scenario assumes that we are in a position where this market continues as it is projecting at this point in time. We accept the fact that there are risks. Many of the risks are external to the marketplace and beyond the control of the market and therefore the levels of capital we carry and our overall perspective on what risk we can take factors that in.

Deputy Pearse Doherty: What are the bank's internal projections for house price increases for 2018?

Mr. Bernard Byrne: We just go on a market consensus. I will ask my colleague Mr. Mulhall to comment.

Mr. Robert Mulhall: We look at it across all the markets so the increases are different in the heavy urban markets versus others but we generally rely on external data as opposed to an internal house view. It is consistent with what one sees in the market.

Deputy Pearse Doherty: Mr. Mulhall, what would be the average level of house price increase that you expect to see in Dublin?

Mr. Robert Mulhall: The consensus in the past 12 months represented about 6.5% house price inflation and we will probably see that continue.

Deputy Pearse Doherty: My question was not about what we have seen but what we are likely to see because the banks are obviously projecting what will happen in the next 12 months.

Mr. Robert Mulhall: Our estimate is that as long as there is an under-supply and an over-demand, inflation is likely to continue in line with that.

Deputy Pearse Doherty: That is roughly 6.5%. The cost of house building was discussed in great detail and much remains to be done. A colleague of mine mentioned the AIB funding of the Housing Agency. I welcome that as well. In Mr. Byrne's opening statement, there was a reference to Poppintree and Ballymun. I think that is a great initiative. Mr. Byrne also said that it can be expanded, something with which I agree. Will he inform the committee how much those houses are being sold for?

Mr. Bernard Byrne: My understanding is that they cost in the region of €170,000.

Deputy Pearse Doherty: Given what we have just discussed in terms of the cost of building houses, how can we build houses and sell them for that price?

Mr. Bernard Byrne: My understanding of the overall perspective on affordable housing, and it is a sector in which we see lots of opportunity, is it is based on a certain scenario, which is effectively low or no site cost, low or no profit and effectively taking risk out of the position in terms of the position from a developer point of view. It is a different prospect from a commercial development in that context.

Deputy Pearse Doherty: Even with the fact that there is no site cost, a house costing €170,000 is still a very low cost house. We have people coming before this committee, including NAMA, saying that house prices have to be €330,000 before it is viable to build them. In Ballymun, through Allied Irish Banks finance and a housing agency, they are able to deliver a house, excluding the site cost for €170,000. That is a model that we need to replicate fast. Does the bank intend to go into this sector on a larger scale? I know that the bank will be entering phase two, but would the bank be open to financing this in a large scale?

Mr. Bernard Byrne: On the question of financing affordable housing, from our point of view, so long as the aspects from a banking point of view are supported, the answer is yes. We will provide mortgages as well to those customers on the other side. It improves their affordability so we can see the off-take market in respect of it as well.

Deputy Pearse Doherty: Mr. Byrne mentioned mortgages. Is the bank doing debt write downs in respect of those who are voluntarily surrendering their houses and writing off the residual part of the debt?

Mr. Bernard Byrne: For a long time, we have talked about the fact that we will compromise on arrangements where we have a consensual arrangement with the customer.

Deputy Pearse Doherty: Does Mr. Byrne believe that there is a need for the bank to up its game, but for a lengthy period during the crisis, the bank was an absolute disaster. We put the focus on NAMA, but arguably AIB was worse in terms of the quantum of losses. Now that AIB is back in serious profit - yet many customers are still in serious mortgage arrears - is there a point where it needs to draw a line and start to write off residual debt? Should it make this part of its campaign, not wait for the customer to come to it or force them with a letter stating that they must surrender their house voluntarily? Is there a need for the bank to be aggressive and state that we will come to an end point?

Mr. Jim O'Keeffe: To date, we have provided various solutions that have allowed for compromise on residual debt. I agree with the Deputy that we have a challenge now in terms of the remaining customers with residual debt. More than 40,000 solutions have been provided, but at the end of an eight-year period, we still have residual borrowers who are in difficulty. Within that grouping we have borrowers who have no affordability, borrowers with some af-

fordability who may be able to move on to one of the solutions, and borrowers with a short-term forbearance for whom engagement with us will work. We do not see any silver bullet in terms of solving the problem for those with no affordability, which is the key category of customers. However, the Government announced an enhancement to the mortgage-to-rent scheme at the end of last year. That scheme, as we have discussed here previously, has not had the type of traction that everyone would have hoped for because of processes and so forth. We are now seeing customers coming through the old process and, to be frank, for the customers who are coming through, even though the numbers are small, it is a very good solution where there is no affordability. It provides some dignity in that the customer remains in the family home and the process is not public in the sense that the home is rented through the approved housing body. We have been working with a third party since that enhancement was announced to see how we can make the proposition more attractive because we feel that it has a broader remit. As we come through with the mortgage-to-rent solution, albeit in only a small number of cases, we see that we are not picking up on the residual debt so we are having to compromise on that. We are in the very late stages of that process and we expect to announce a final sign-off on it soon. Once we announce that, we feel that we will be bringing something to market which recognises the fact that we have people with no affordability who are not able to deal with their residual debt.

Deputy Pearse Doherty: When Mr. O’Keeffe says the bank will be bringing something to market, will there also be a statement that the bank will deal with the residual debt? This is capitalism. This is the banks’ game. They do this all the time. They wipe debts, which is why interest is charged and so forth. They are extremely harsh on many customers here, which is causing major concern. Mr. O’Keeffe’s bank is not the worst. We will have other banks in before us, some of which make a virtue out of the fact they do not cut deals, even though we know that they cut deals but do not say so publicly. Will the bank be doing what Permanent TSB did, namely, saying that it will wipe out the residual debt?

Mr. Jim O’Keeffe: I would like to cover a couple of points. I believe we have been very proactive and were out very early in terms of recognising we needed to compromise on debt. There are, as the Deputy mentioned, some latecomers to the game in relation to looking at buy-to-lets and so forth, but that proposition was available from us over recent years. Otherwise we would not have resolved it. It is something that is being provided by others in relation to specific asset classes like buy-to-lets, whereas we would have operated it right across the board. The proposition that the third party is bringing forward recognises that piece around the residual debt. Built into that proposition, as it stands today, is the recognition that part of the proposition will be to say to the customer that the residual debt would be compromised.

Deputy Pearse Doherty: I have a number of questions that I want to get through as quickly as possible. How many houses does the bank have under its control that are vacant, through surrender, whether voluntary or otherwise, and how many has it offered to the Housing Agency?

Mr. Jim O’Keeffe: On page 3 of the table we outline the properties in the bank’s possession. We look at private dwelling home, PDH, and buy-to-let properties on page 4. In relation to what we have been doing with the Housing Agency, we have contracted 280 properties to date and we expect that to conclude before the end of the year. I mentioned earlier that the original intention of the Housing Agency was to fund €70 million, which was what was made available to it for this round. We expect that by the end of the year, we will have taken in excess of €55 million of that. That €70 million was made available to the entire financial sector, but I understand from the Housing Agency that we have taken the vast majority of it.

Deputy Pearse Doherty: I am trying to follow these tables and ask Mr. O’Keeffe to correct me if I am wrong. There are 280 properties about which the bank is engaged with the Housing Agency. The bank has taken about 80% of the funding and is the leader in terms of the agency purchasing properties. How many properties does the bank have in its control?

Mr. Jim O’Keeffe: As we outlined in our paper, there are 590 buy-to-let properties in the bank’s possession, as per page 3, and there are also 1,600 buy-to-let properties that are under the bank’s possession through receivership.

Deputy Pearse Doherty: So, in terms of the 1,600-----

Mr. Jim O’Keeffe: We are talking about just over 2,000 properties, when one does the maths.

Deputy Pearse Doherty: Are they all empty?

Mr. Jim O’Keeffe: No, the ones that are with receivers are not vacant. The only vacant properties would be those that are in the bank’s possession, that is, the 590 I mentioned and the other 37 properties to which I referred.

Deputy Pearse Doherty: Does that mean the bank has 627 properties lying empty at the minute and is offering 280 to the Housing Agency? What is happening to the other approximately 400 properties?

Mr. Jim O’Keeffe: Our sales are at different stages. The majority of the properties that come into our possession do not come through court repossession. They come through voluntary surrender or they are abandoned. There is a lengthy process to go through with abandoned houses to make sure that they actually have been abandoned. They would fit within that category. There is obviously a flow in and out in terms of the stock but in the year to date-----

Deputy Pearse Doherty: Did the bank offer all the 627 properties to the Housing Agency?

Mr. Jim O’Keeffe: Yes, we did.

Deputy Pearse Doherty: Why is it that the agency is not taking 347 of them?

Mr. Jim O’Keeffe: The specific number we offered was 603. In some cases, the property was not suitable. As the Deputy knows, the Housing Agency is operating to particular criteria, including location. In some cases, the agency may not require a property in a particular location. In other cases, the issue is the size or the value of the property or the occupation criteria in terms of the property itself. We have been trying to make sure that for the funding available, we have been offering sufficient housing to fulfil that funding. In further tranches, we will obviously offer more houses.

Deputy Pearse Doherty: I am concerned at the number of vacant houses in the bank’s stock that are not being taken up by the Housing Agency but which are not on the market either. I do not know what is available at any given time on the market but AIB holds a significant percentage of what could potentially be on the market.

Mr. Jim O’Keeffe: There is a flow of housing into the market from ourselves as well, not just the vacant housing that we are discussing now. I already called out the fact we have receiverships in place as well. Another issue worth noting is that we have a significant volume of residential properties that go onto the market on a consensual basis. One of the biggest pieces

for us is where customers engage with us and we get agreement that they will sell down some of the properties, very often investment properties, that they have. In 2017, somewhere between 1,500 and 2,000 properties will flow into the market in that way. Customers are engaging with us, a compromise is being reached with regard to the debt and the properties are being sold on. The real number influencing the flow of properties from our bank into the market is the story that is not on the page. Such properties are not coming to the market through repossessions, voluntary surrender or abandonment but through consensual sales. Borrowers engage with us, agree a compromise and sell the properties.

Deputy Pearse Doherty: On split mortgages, does the ECB view the warehoused portion of a split mortgage as a non-performing loan?

Mr. Jim O’Keeffe: No, not in terms of the current rules under which we are operating. Obviously there are new definitions and rules around non-performing exposures and so forth, but from our perspective, when we split a mortgage we split it into an A, B and C note-----

Deputy Pearse Doherty: I am sorry to interrupt the witness but I know the Chair will want to allow time to other members. I have a specific question. The ECB will tell us AIB has a particular percentage of non-performing loans. When it makes that calculation, does it include the 100,000 that is in the warehouse portion of-----

Mr. Jim O’Keeffe: No.

Deputy Pearse Doherty: The warehouse portion is seen as a performing loan under the ECB criteria.

Mr. Jim O’Keeffe: The split mortgage goes through a probationary period, comes out the other side and moves into performing. We restructure the mortgage to an affordable level. It is important we do it to an affordable level because that solution is then allowed to move back in to the performing profile.

Deputy Pearse Doherty: AIB announced €814 million in pre-tax profits for the first half of the year. How much tax will be paid on that?

Mr. Bernard Byrne: We do not know the tax amount for a half year but we have a significant deferred tax asset, which is probably why the Deputy is asking the question.

Deputy Pearse Doherty: It is.

Mr. Bernard Byrne: The recent valuation of the bank included the guts of €3 billion of deferred tax asset in its overall tangible value and the bank sold it for book value.

Deputy Pearse Doherty: When does Mr. Byrne think that will be exhausted? When will the bank begin paying the-----

Mr. Bernard Byrne: There is in excess of 20 years on a current basis of-----

Deputy Pearse Doherty: At the current rate of profitability, it will be 20 years before AIB begins paying tax.

Mr. Bernard Byrne: Yes.

Deputy Pearse Doherty: It is not the witness’s fault as Fine Gael is responsible but it is an absolute disgrace that AIB made a profit of €840 million in six months and-----

Mr. Bernard Byrne: May I make two points? First, as part of the restructuring of the bank, the deferred tax asset was considered as part of the capital and, therefore, the State did not have to put in €3 billion of-----

Deputy Pearse Doherty: If that were now changed, the State would not have to put in a penny. It would not have to contribute if we reverted to the decision taken when the legislation went through, which was the right decision taken by the late Brian Lenihan who made it clear that banks should not be able to carry forward 100% of those losses, that they had to start paying a contribution to the taxpayer as soon as possible, and which was why the 50% rule was put in there. It should be reversed.

Mr. Bernard Byrne: Another €3 billion of capital would have to have been put in.

Deputy Pearse Doherty: If we reverse it now, the State will not have to put in any capital.

Mr. Bernard Byrne: Another €3 billion of extra capital would have to have been put in because that was part of the recovery-----

Deputy Pearse Doherty: That would have to have been done at that time. However, if the legislation were changed today, would the State have to inject capital into AIB?

Mr. Bernard Byrne: No, but-----

Deputy Pearse Doherty: That is my point. I rest my case.

Mr. Bernard Byrne: The second point is the bank was bought and the value that private investors invested in was its tangible book value, and that included the €3 billion, which was a valuation that took place in the market. A levy system is now in place, not a tax system. That effectively gives a return to the State. It is the only system that has a levy-----

Deputy Pearse Doherty: The return is peanuts compared with the tax return if the bank were only allowed to carry forward a section of those losses. The bank's current profitability is significant and fair play to Mr. Byrne as CEO on recording €840 million profit in six months. On that current profitability, it will take 20 years before AIB pays tax. However, the taxpayer deserves taxes to be paid in full as soon as possible or at least properly phased. It was not the witness' decision; it was a decision by politicians.

When will a decision be made on a planned dividend?

Mr. Bernard Byrne: That will not be declared until part of the 2017 results are received, so an announcement about that will be very early in 2018.

Deputy Pearse Doherty: I want to address a final issue, that of tracker mortgages, but there is another topic I wish to deal with first. I stopped in Strabane on the way here this morning because I had to get sterling, and Bank of Ireland no longer offers currency exchange in my local branch. When I went to an ATM to withdraw sterling, there were five language options. Will AIB consider the option of using the national language on its ATMs?

Mr. Robert Mulhall: We do not currently offer multiple languages on our ATMs. There is not a huge demand for it from customers. We are bringing our ATM and all technology platforms into the area of iconography as opposed to language as a means of utilisation. I stress that the Irish language is prevalent in our network in Gaeltacht areas and so on for branding and marketing materials, etc. It is not solely an ATM issue.

Deputy Pearse Doherty: I will not explore the issue further other than to say that the bank should not be making that decision on a commercial basis. AIB was rescued by the State. Irish is the national language. If a bank in Strabane can offer four or five languages, including Polish and whatever other languages, possibly Spanish, when there are probably not a huge number of people living in Strabane and using that ATM so as to make it commercially sensible, why can AIB not offer an Irish language option? It is the industry norm in mainland Europe to have multiple language options. I ask the witnesses to revisit that decision.

The last issue I want to address with Mr. Byrne is whether it was wrong of AIB not to offer thousands of customers a tracker mortgage. Does he accept the bank was wrong?

Mr. Bernard Byrne: The Deputy is referring to the customers-----

Deputy Pearse Doherty: I am referring to the tracker mortgage scandal.

Mr. Bernard Byrne: Part of the programme is that we are putting them back onto a tracker or onto a tracker-----

Deputy Pearse Doherty: How much money did AIB wrongly take from its customers?

Mr. Bernard Byrne: I do not know the amount because we are looking at it as a restitution issue which involves compensation and other issues. The total is tens of millions of euro over the period in question.

Deputy Pearse Doherty: Mr. Byrne accepts that AIB wrongly took tens of millions of euro from its own customers. Who was responsible for that?

Mr. Bernard Byrne: I answered that question earlier. Everyone wants to find the one person responsible. The reality when each of the individual cohorts have been addressed is that when the tracker rate was suspended in the market as a result of the financial crisis and ceased to be a funding rate available to any institution, the rates for new customers were suspended, and as part of that programme, a clear mistake was made in terms of consideration of what would happen in terms of the contractual obligations or, later on, the transparency obligations that existed around-----

Deputy Pearse Doherty: Who made the mistake?

Mr. Bernard Byrne: It happened across the organisation that-----

Deputy Pearse Doherty: Did all 9,000 employees make this mistake?

Mr. Bernard Byrne: No.

Deputy Pearse Doherty: Someone made the mistake or some group of individuals-----

Chairman: The witness is not going to answer that question today.

Deputy Pearse Doherty: Pardon?

Chairman: The witness is not going to give a name to the Deputy today.

Deputy Pearse Doherty: If a person went into AIB and wrongly took tens of millions of euro, where would he or she be today?

Mr. Bernard Byrne: Perhaps the Deputy will allow me to answer the question in a slightly

different way, which is to say that all that occurred in approximately 2008. There are no individuals left in any senior capacity within the organisation who were on the board, senior management team or divisional management team at that time. They all left the bank as part of the reform and reorganisation of the bank up to 2011. None of those who were part of the institution's overall governance structure survived in their role past that date. That is not to say that I could even go back and think about that. However, it is not the same people as those now running and organising the bank. There is not a point at which a decision was made. It was a reaction as part of the early phase of the crisis that took place across all organisations, as it turns out, and a response to the massive distortion in the market associated with a flawed product at the time.

Deputy Pearse Doherty: I will finish on this point. I appreciate and expect that no one currently employed at senior level was involved because the decision would have been taken at a senior or very senior level in the bank, possibly by a group of individuals who are most likely gone from the bank, but someone took the commercial decision not to place or allow the affected individuals onto tracker rates. That was not done by the lady who is across the counter when a customer lodges his or her €20 or €100. It happened at a senior level and, as the witness admitted, it was wrong. We can call it whatever we want but it was theft. The bank wrongly took money to a minimum total of tens of millions of euro from its customers and no one will be held accountable. That is wrong. It will happen over and over again. No one is ever held accountable in the financial system and that is ridiculous. I am not blaming Mr. Byrne but he is at the top of the bank and it is his responsibility to carry out a thorough investigation to ensure he finds out exactly who made the decision and at what level. When was this decision made? What information was available at that time to make the decision? The decision was wrong and affected many customers. The fact the other banks were doing it should be of cold comfort to AIB. There are many scars on the reputation of banks but this matter is a serious scar that needs to be addressed.

Deputy Michael McGrath: I want to ask Mr. Byrne about the loss of data in Galway. The person involved should not be subjected to a witch hunt because accidents happen. I want to discuss the wider issue of officials moving from one branch to another while holding printed records of customer details. It is not something that many people understood happened. I would have thought data would be held in an encrypted format on technology devices, etc. Will Mr. Byrne explain the context? Will he explain what happens when staff move from one AIB unit to another? How are data handled? Can such a situation happen at any time through human error?

Mr. Bernard Byrne: The Deputy has mentioned human error. Obviously human error was an element of the overall position. In total, the use of encryption is key at this point. Increasingly, the information that flows around the organisation is held on encrypted or protected devices. It is not the norm and is unusual for printed information to exist. The situation has evolved quite a lot over the recent past. It would not have been unusual for people to have information, that is, data that exist. Policies and procedures develop all of the time around protection lists. We are reviewing the whole position in terms of examining this particular instance and how it arose. It is not the norm. It is unusual that it happened in that context. It is something, as the Deputy has said, that we are addressing in terms of reviewing the overall policy and position around the matter. Do my colleagues wish to add anything?

Deputy Michael McGrath: It was not the norm but it was not exceptional either. Is that correct?

Mr. Bernard Byrne: It was not-----

Deputy Michael McGrath: Do bank employees still carry paper records, including customer details, around with them?

Mr. Robert Mulhall: Yes. To elaborate, it is an entirely regrettable situation. It was human error. We very much regret it and apologise to customers who have been impacted by the situation. There was no financial loss to the customers but that is cold comfort. The situation should not have happened in the first place.

In response to the points made by the Deputy and Mr. Byrne, we have invested heavily in our technology platform, particularly in mobile technology, to enable people to carry data in a secure fashion on a go forward basis. The need for carrying paper printouts of anything now is really rare and limited. It is regrettable that this happened in this instance, but we are taking the lessons learned from it and revising policies accordingly.

Chairman: I wish to discuss Mr. Byrne's opening statement, especially the line where he said:

We must be keenly aware of the impact of our actions beyond the immediate economic environment and take into account issues with social consequences. To that end, we make our customers, our communities and the broader economy an integral part of all our planning and strategies.

I have never seen such sentences before in the opening remarks of a bank. It is an acknowledgement of where we are now in terms of banking and all of the challenges that are faced by individuals. However, in the next paragraph Mr. Byrne said, "Likewise EBS, a separate brand but under the AIB Group, will continue to keep its interest rates under review." I have received a letter that I shall not read in full. However, I want to reflect the opinion expressed by the huge number of people who, as customers of EBS, wrote not just to me as Chairman but, I am sure, to other members of the committee:

As you know several rate cuts have not been passed on to customers, many of whom are struggling despite record historically low ECB rates. AIB customers receive the benefit of some of these rate cuts but despite the EBS being in the ownership of the State owned bank, EBS existing customers have not. Instead, we have continued to be used to bolster the balance sheets of the bank to mitigate their reduced profits or tracker mortgages and to enable cash-back offers to be given to new customers. As a customer in negative equity I am hit on the double as I cannot even vote with my feet and switch. Those in the direst of circumstances with arrears and damaged credit ratings are the worst hit with artificially high rates and no option of switching, possibly ever.

I brought that to the attention of witnesses because it reflects the message expressed in the numerous letters and emails we have received. I have heard the various responses by the witnesses. As they are the people responsible for the EBS as well, they should take the message into consideration. It is not a one-off and Deputy Michael McGrath addressed the matter earlier. I feel obliged, as Chairman, to mention the message to the witnesses.

The witnesses are to be commended for the social housing project or initiative. How will it be rolled out? I mean in terms of judging the success of the first tranche. I can see from the tabular statement provided by the witnesses that court hearing are in progress in 3,347 cases. It would appear that in the course of 2017 and 2018 we will see far more repossession being achieved by financial institutions or the institutions being successful in terms of their court

hearings. Can the bank further examine all of these cases? Can it minimise the number of cases that go to court? Can it offer a solution either through an agency or otherwise to ease the pain for these families? I have seen them in court and it is not a pleasant place to be. Some of them are lay litigants and are defending themselves and so on. Some of us in this House have put forward the National Housing Co-operative Bill 2017 in order to start a conversation on providing a way out for these people. Do the witnesses have broader thoughts in terms of what is on offer, the court figures and solutions?

Mr. Bernard Byrne: I ask my colleague, Mr. O’Keeffe, to comment.

Mr. Jim O’Keeffe: As we know, repossessions have not been a significant feature of the market. Restructuring has been by far the most favoured option for banks. In my last discussions here we said that one is 100 times more likely to get restructured out of difficulty than be repossessed. Nonetheless, we recognise that we have reached the point in the cycle whereby many people are in deep difficulty. Our legal grouping comprises three categories. The first is people who have no affordability and will be unable to sustain a mortgage, the second is people who have some affordability and will probably be able to take on other solutions through engagement and the third is people who may fix over a period with some short-term intervention.

Earlier I referred to the mortgage-to-rent piece but I do not expect it to be the silver bullet. Reference was made to thoughts in the industry around other pieces. Certainly, AIB wants to identify the people who are at the point where, regrettably, they have no affordability because we want to help solve that issue. We believe that those people are too nervous to come forward. If they come forward then we will consider the mortgage-to-rent solution. That is a programme of work that is taking place at the moment with a third party that we hope to launch imminently. The initiative should give people in this category the confidence to approach us and say they have no affordability and ask what they can do. We would then engage with them. Some people with affordability will come forward and we will work with them to put in place the solutions we have already provided to over 40,000 customers whether that is a split mortgage, a low fixed interest rate, etc. That is the initiative we are taking along with the proposition that has been provided by a third party.

Chairman: Do AIB customers who find themselves in the set of circumstances described by Mr. O’Keeffe still find it difficult to approach and engage with the bank? Is the bank still experiencing a non-engagement by a large number of people?

Mr. Jim O’Keeffe: Unfortunately, we are. To that end, to try to remedy that issue, a number of years ago we put in place an agreement with another third party, the Irish Mortgage Holders Organisation, IMHO, which is David Hall’s organisation. This was to reach out to people in these circumstances who may, for whatever reason, be afraid to come to the bank. Through this we have solved the cases of almost 3,000 customers. This is funded by the bank. I do not think I need to voice here the independence of IMHO in terms of its dealings with the bank, but when customers come through there we fund it. This has been helpful to date. As Deputy Pearse Doherty mentioned earlier, we are looking at encouraging people with no affordability to come forward, and we are working with a third party in this regard.

Chairman: Is working with a third party something that will evolve over time? Will the bank continue to address the range of issues that come up under this heading?

Mr. Jim O’Keeffe: Exactly. As I was saying, I do not think we have the silver bullet. I wish I could tell the Deputy we did but, as we have done to date, we have put in various solutions to

try to restructure customers, we have adopted mortgage to rent, as it was previously, and we are now working with the enhanced scheme to see what we can get. We have proven that if other ideas and solutions come forward we will embrace them.

Chairman: The Housing Agency was offered 603 houses. Is there less engagement from the other banks? Is AIB the bank which has had the main engagement with the agency?

Mr. Jim O’Keeffe: Without knowing the level of engagement, the facts seem to suggest we have had the biggest outcome because we will require funding of approximately €55 million for the properties we are selling to the agency, and €70 million was available to the financial sector for this initiative. I will not get into how the others engaged with it, but from our perspective we put in a programme to ensure it happened, and this has borne a lot of fruit for everyone, including those who will live in the houses.

Chairman: On the tracker front, earlier Mr. Byrne gave a figure for the cost of sorting this of approximately €180 million.

Mr. Bernard Byrne: The total provision we made in 2016.

Chairman: What was this for? What did the bank address with this figure? Is it compensation?

Mr. Bernard Byrne: It includes all aspects of the programme.

Chairman: Is there a breakdown of how the €180 million is expected to pan out, in terms of putting people back on tracker rates and as compensation?

Mr. Mark Bourke: We do not have the breakdown. We have said that of the €185 million, €133 million has been utilised, and our expectation based on what we know today is the €185 million is adequate to cover all aspects.

Chairman: This includes addressing it and compensation.

Mr. Mark Bourke: Yes, everything and the costs thereof.

Mr. Bernard Byrne: The largest single item is a provision for timing adjustment of approximately €55 million, so it will flow back over time because the accounting basis on which the rates are recognised has been changed. There is a charge now but it will float back over time.

Chairman: Another issue, which arose through correspondence with the committee, caused me to look at the Central Bank’s update on the examination of trackers. On pages 18 and 19 examples are given of issues identified as within scope and impacted as part of the examination. The first is the contractual issue resulting in loss of tracker product, and the second is transparency issues resulting in loss of tracker product. It provides four different examples. Do I take it these are examples of what the Central Bank has found and what AIB should be addressing, based on the information the Central Bank has, which means it expects the bank to address each of these categories?

Mr. Jim O’Keeffe: It may have derived its examples from the experience of other institutions and it put them down as the type of thing it wants people to consider.

Chairman: AIB will take these examples and state that beyond what is obvious it needs to look at these examples also.

Mr. Bernard Byrne: Yes, and all the circumstances in respect of them.

Chairman: All circumstances.

Mr. Bernard Byrne: That-----

Chairman: All circumstances of the individual cases within those examples.

Mr. Bernard Byrne: Exactly.

Chairman: Okay. Some of the correspondence we have received indicates to us that customers of AIB feel they are being excluded from consideration, but they are taking comfort from the fact that one of the examples gives them a reason to be considered. When we have this difference of opinion, who adjudicates on it within the bank? Is it a high-level-----

Mr. Bernard Byrne: I am familiar with the definitional issues associated with some of the examples the Chairman is describing. In the case of AIB, the situation is not the same as those examples in general. Elements of the examples may be the same but the overall perspective is not. We have a significant review and redress programme and an appeals programme is in place. We have a review process which is undertaken by KPMG, and from a Central Bank point of view, Ernst and Young also carries out a review. The Central Bank also carries out a review. Individual appeals processes are available to individual customers outside of the Financial Services Ombudsman and any legal position. A significant range of options is available to customers with regard to these issues.

Chairman: By the time individual customers get to the end of all of these options, do many still feel they have been shortchanged, for want of a better word?

Mr. Bernard Byrne: The tracker product is very attractive, so a number of customers are obviously very interested in the tracker offering. Many of them may feel they have an entitlement, or a perspective they should be open to an entitlement in respect of it. What we have had to do is consider all of these individual circumstances, considering the contractual position, which tends to be one group, and the transparency issue, which is more challenging in terms of thinking whether there was a reason somebody could have had a legitimate expectation they were entitled to a tracker. We have redressed a large number of customers simply because of this transparency issue. We must form decisions in respect of this and we have done so. Some customers feel they are close to one of the situations, but either contractually or because of the materials they have, we do not believe they are. I am not surprised some customers will find hope and desire in pursuing a tracker issue but we have made determinations based on getting the balance right between being fair to customers and respecting the fiduciary responsibility we ultimately have to the State and shareholders in protecting the payments that flow. The Central Bank is the final determinant of the approach we have adopted but it will not conclude in respect of all this until 2018. We also have the appeals processes that exist for individual customers.

Chairman: This is within the bank.

Mr. Bernard Byrne: None of the panels are staffed by anyone employed by the bank. They are set up on a framework.

Chairman: I understand that, but the process is there.

Mr. Bernard Byrne: Correct.

Chairman: Customers exhaust all of this and then they can go-----

Mr. Bernard Byrne: They can go to the ombudsman and then to court.

Chairman: How limited is the bank in terms of its view on this? Is it flexible? Does it give every aspect of these individual cases every hearing that is possible?

Mr. Bernard Byrne: We believe so. We believe we have erred on the side of being fair to customers, in terms of what they could have interpreted in respect of these positions, but this does not mean every customer looking at it the other way will always agree with that. We have attempted to give the benefit of the doubt in our consideration of individual customer positions. We have looked at more than 40 different circumstances in determining-----

Chairman: At what level in the bank are these decisions made? Is there a group that oversees all of this?

Mr. Bernard Byrne: We have set up an entire governance structure, consistent with the framework, which is separate to the day-to-day organisation and management of the bank. This considers the individual scenarios and circumstances. There is a tiered process that runs through in this regard. This is subject ultimately to any appeals and review process and a KPMG review and challenge process. There are very few things that have as much challenge in terms of consideration of this, but ultimately this does not mean everyone will agree on the position that has been adopted.

Chairman: I want to go back to a point made by Deputy Pearse Doherty. While not wishing to get into who did it, I want to explore something in which I am interested, namely, the idea of risk managers. I have put this to Bank of Ireland. Is the risk manager in the bank, who has the obligation under legislation to report to the Central Bank, one person or is it a number of risk managers who inform Mr. Byrne?

Mr. Bernard Byrne: To provide a small bit of detail in that respect, obviously a lot of this developed and evolved after the crisis, but effectively we are required to have three lines of defence under the regulatory process. The first line is that the business has to have its own position around challenging risks. Then there is a second line of defence which includes the risk function. It also includes parts of finance as a separate and independent view. The third line is the audit function. Within the day-to-day operation of the business there are supposed to be three lines of defence, hence the commonly heard expression, “the three lines of defence model”.

I may be slightly out, but at the moment there are 465 people in the risk function in the bank. It is a very significant function within the organisation, approximately 5% of the organisation. That is headed by a chief risk officer who, ultimately, has a reporting relationship to the board. That officer is part of the management team but has a separate designated responsibility relative to the board. As the Chairman has mentioned, the officer also has a reporting relationship with the regulatory process. The chief risk officer has many channels for expressing concerns about any positions she believes the bank has not addressed.

Chairman: It is all rolled into one role, the chief risk manager.

Mr. Bernard Byrne: Yes and no, in the sense that the chief financial officer is the person who is responsible for all finance, but there are several hundred people in finance who work throughout the organisation all the time. The chief risk officer obviously heads up that whole

organisation. She has a senior management team which works across the bank. There would be senior management teams dealing with the financial solutions group, the retail business bank and different aspects of the bank on a day-to-day basis. It is integrated in terms of how the bank works, but the risk perspective that ultimately accumulates at board level or leadership level is brought to the chief risk officer, who is one of the dozen voices that sits around the table expressing a view. That officer has the ultimate view in respect of the risk position that the bank might take.

Chairman: The legislation and the obligation around anything that might have to be reported then kicks in.

Mr. Bernard Byrne: Yes, and there are many different reporting obligations that exist for different things. Ultimately, as I have said, the chief risk officer has reporting obligations to the leadership team, and therefore to me, to the board and its chairman, and to the regulatory function.

Chairman: Way back when all this happened, or even when the tracker issue occurred, would that have come up through this process?

Mr. Bernard Byrne: I believe the question that was specifically asked on the tracker issue related to 2005. Obviously I am looking back. I was not in the bank at the time.

Chairman: This is not to point the finger. I just want to understand.

Mr. Bernard Byrne: A risk function would have existed at that time. I presume that, in normal terms, the obligations would not have been radically different from what they are at this point. I am sure the risk function was part of the overall structure of the organisation and its management team. It would have been a reasonably new idea around 2003, 2004 and 2005 in terms of how risk developed, but it would have had an independent voice and would have been part of the consideration.

Senator Kieran O'Donnell: A standard clause has come up, I believe clause 3.2c in the mortgage contract I have seen, which states if people break a fixed rate early, they should be entitled to avail of a tracker rate. That does not appear to be the case in AIB. Does Mr. Byrne believe that if people break a fixed rate early, they should be entitled to go back on the tracker rate? If a person takes out a fixed rate for two years, but he or she breaks it after a year, should they be entitled to go back on the tracker? It is a question which has been posed to the committee.

Mr. Bernard Byrne: The answer to this is unfortunately that I would have to see the entire set of documentation. I do not know which set of contracts that was, because various contracts existed. It depends on when that loan was taken out and the understanding of the obligation in that situation. I do not want to give the Senator an answer in case I give him the wrong one.

Senator Kieran O'Donnell: Are there circumstances where people who break a fixed rate contract could go back on a tracker mortgage?

Mr. Bernard Byrne: I can tell the Senator that there have been people who were on a tracker, moved to a fixed rate and then went back on to a tracker.

Senator Kieran O'Donnell: If, say, they are on a tracker and they decide they want to pull out of the fixed rate contract in year two of a three-year cycle, are they entitled to go back on a

tracker mortgage?

Mr. Bernard Byrne: I do not know if Mr. O’Keeffe knows the answer to that.

Mr. Jim O’Keeffe: There were different issues in the marketplace, and there were issues around breakage on fixed rate mortgages. Our issue regarding it was that it was not isolated to breaking the fixed mortgage. That issue, and I might be misrepresenting the piece-----

Senator Kieran O’Donnell: No, Mr. O’Keeffe is not.

Mr. Jim O’Keeffe: -----is not something that was a particular issue for us. As Mr. Byrne referred to it, we had about 40 cohorts overall with which we had issues and we went through each of those. Obviously, there were instances where we had issues with fixed rate mortgages as well but the particular issue around breakage of fixed rate was not a major call-out for us.

Senator Kieran O’Donnell: Would the issue have been to do with other issues such as non-payment of mortgage and so forth in the particular instance?

Mr. Jim O’Keeffe: In the particular instance of-----

Senator Kieran O’Donnell: If someone who was paying their mortgage on time, and everything was up to date, and then decided in year two of a three-year contract that they wished to break their fixed rate, would they be entitled to go back on the tracker rate?

Mr. Jim O’Keeffe: I will comment in a similar way to Mr. Byrne. One would need to see the individual contract and when it actually happened. It was very clearly laid out in our contracts what would happen when somebody broke their fixed arrangement. I understand that was not consistent and caused wider issues in the market.

Chairman: In view of that reply from Mr. O’Keeffe and the question asked by Senator O’Donnell, we might send on to the witnesses some of the questions around that issue that have been raised with us.

Mr. Bernard Byrne: We would be very happy to take any of those questions.

Chairman: The witnesses answered them in the context of the individual contract and circumstances but to get clarity on the set of questions that were sent to the committee members, we might send them on to the bank. My understanding is that we can send them to the bank, which generally deals with the correspondence we send on.

Senator Kieran O’Donnell: There was a specific set of questions sent to all members.

Chairman: Yes, so we will send them on to the witnesses.

Mr. Bernard Byrne: To the extent that they are existing issues, and my guess is that they are existing issues that we are working through-----

Chairman: Yes.

Mr. Bernard Byrne: -----we will probably have a position already established with those customers.

Chairman: That is fine.

Senator Kieran O’Donnell: They are general questions and are not specific to any indi-

26 SEPTEMBER 2017

vidual customer.

Mr. Bernard Byrne: Okay.

Chairman: The witnesses might deal with them as far as is possible. They have got back to us on a number of occasions in regard to issues, and we thank them for that.

I thank Mr. Byrne and his colleagues.

The joint committee adjourned at 6.30 p.m. until 9.45 a.m. on Thursday, 28 September 2017.