

**FOI Request Reference: 122/2009**

**Schedule of Records: Summary of Decision Making:**

11	Series of emails. Mr. Brian Finn, Assistant Principal, D/Finance & Mr. MK, Anglo Irish Bank.		7	Release			
21	Letter from Fiachre O'Neill, Anglo Irish Bank to Mr. Tony Smyth, D/Finance. 11/12/08. Re: Government Guarantee – Anglo Irish Mortgage Bank.		1	Release			
22	Letter from Mr. Fiachre O'Neill, Anglo Irish Bank to the Minister for Finance re Anglo Irish Mortgage Bank. 11/12/08		1	Release			
24	Minute of meeting between D/Finance officials, Mr. Pdraig O'Riordan, Arthur Cox Solicitors and Mr. Sean Fitzpatrick, Mr. Michael Jacob, Mr. William McAteer, Mr. David Drumm, Anglo Irish Bank. 12/12/08		3	Release			
25	Email from Mr. David Drumm, Anglo Irish Bank to Mr. Kevin Cardiff, D/Finance. Attachment: Draft Capital Plan. 13/12/08.		3	Release			
32	Series of emails. Mr. William Beausang, Ms. Ann Nolan, Mr. Kevin Cardiff, D/Finance; Mr. Fiachre O'Neill, Anglo Irish Bank 18/12/08. Subject: Legal. Attachments: "ck1247 initialdiligencelist"; "DoF letter to Chair 18 December 2008."		6	Part Release	S28 (1)(a) Personal Information	As above	As above

33	Letter from Mr. Kevin Cardiff, D/Finance to the Chairman, Anglo Irish Bank. 18/12/09		4	Release			
41	Internal D/Finance email from Mr. Tony Smyth to Ms. Ann Nolan, Mr. Aidan Carrigan, Mr. William Beausang, Assistant Secretary. 24/12/08. Subject Anglo Liquidity.		1	Part Release	The redacted part of this record is outside the scope of this request.		
58	Email from Mr. Eoghan Duffy, D/Finance to Mr. Ciaran McArdle, Anglo Irish Bank. 08/01/09. Subject: Meeting yesterday.		1	Release			
63	Email from Mr. Fiachre O'Neill, Anglo Irish Bank to Mr. Tony Smyth, D/Finance. 08/01/09. Subject: Anglo Irish Bank Corporation plc – foreign offices and Mortgage Bank.		1	Part Release	S28 (1)(a) Personal Information		
83	Letter from Mr. Kevin Cardiff to Mr. Donal O'Connor, Chairman, Anglo Irish Bank. 15/01/09.		1	Release			
84	Letter from Mr. Donal O'Connor, Anglo Irish Bank to Mr. Kevin Cardiff, D/Finance. 15/01/09.		1	Release			
87	Email from Mr. John Paul Coleman, Anglo Irish Bank to Mr. Colm O'Neill, Mr. Tony Smyth, Ms. Marie Mulvihill, D/Finance. 20/01/09. Subject: Perpetual Bonds not Covered by the Guarantee. Attachment: "Note".		2	Release			

**ROADMAP FOR COVERED INSTITUTIONS**

***PART A***

***The Scheme***

**1. Principles and Aims of Scheme**

***Scheme Requirement/Power***

The primary purpose of the Scheme is to maintain and safeguard the stability of the financial system in the State. The provision of financial support in the form of a guarantee to certain credit institutions or subsidiaries of credit institutions is intended to achieve this primary purpose. The manner in which the Scheme is being implemented is intended to support the long-term sustainability of the banking system in the State.

The stability of the financial system in the State is crucial to the stability and growth of the overall economy of the State. To this end, the Minister intends that steps taken by covered institutions to implement the Scheme will help promote sustainable lending practices to appropriately support balanced economic growth.

Paragraph 2 of the Scheme sets out the detailed objectives laid down by the Minister. Paragraph 36 of the Scheme allows the Regulatory Authority, in consultation with the Minister, to regulate the commercial conduct of the covered institutions to ensure compliance with the objectives of the Scheme. Paragraphs 36 to 44 of the Scheme contain further details in this regard.

Part B of this Roadmap reflects some initial, specific requirements from the Minister in relation to paragraphs 36 to 44 of the Scheme.

***Covered Institution Required Action***

By the end of November, individual covered institutions will be required to issue a report to the Minister on what steps they have taken/will take and what procedures they are putting in place/have put in place to support the principles and secure the achievement of the objectives of the Scheme.

In particular, covered institutions will be required to describe to the Minister what steps will be/have been taken under the following headings:

- Promotion of sustainable lending practices;
- Controlling asset growth;
- Securing long-term funding;
- Improving capital ratios;
- Updating the valuation of assets;
- Ensuring that the cost of the guarantee will not be passed on to customers;



- Controlling exposures to customers or asset classes;
- The strengthening of management capacity and corporate governance.

Covered institutions will be expected thereafter to provide monthly reports to the Minister that describe progress made in complying with the principles and objectives of the Scheme, the requirements of paragraphs 36 to 44 of the Scheme and specific directions issued by the Minister in connection with the Scheme. The Financial Regulator will also have information requirements which will be requested from the covered institution separately.

## **PART B**

### *Specific objectives and directions*

#### **2. Board of Directors**

##### *Scheme Requirement/Power*

Paragraph 32 requires covered institutions to appoint one to two public interest directors from a panel selected by the Minister (panel directors). The public interest directors will be advised to the covered institutions.

##### *Covered Institution Required Action*

Each institution is to ensure that there is capacity on its Board of Directors for up to two Panel Directors to be appointed.

- the Minister will notify the covered institutions whether one or two Panel Directors are to be appointed.
- the Panel Director(s) are required to be appointed to the boards of the covered institutions (or to be appointed pending approval by the shareholders, if required).

#### **3. Observers on Committees**

##### *Scheme Requirement/Power*

Paragraph 32 of the Scheme gives the Minister the power to appoint observers to sit on certain committees of the covered institutions

Based on the assessment of the reports discussed at paragraph 1 above as they are received, the Minister will notify the institution as to which committees it will require an observer to be appointed to.

##### *Covered Institution Required Action*

The minutes of all meetings of such committees are to be sent to the Financial Regulator.

By the end of November, each covered institution, or the parent acting on its behalf, is to produce a report to the Financial Regulator and the Minister, and meet with the Financial Regulator and the Minister, listing these committees and detailing the operations, regularity of meetings and "terms of references"/parameters and any other relevant procedures relating to such committees. In particular the report should highlight the priority tasks and responsibilities of the relevant committees over the next six months and how in specific terms their work supports the achievement of the objectives of the Scheme.

4. **Remuneration Plan**

*Scheme Requirement/Power*

Paragraphs 46, 47 and 48 of the Scheme provide for the establishment of the Covered Institution Remuneration Oversight Committee (CIROC), require each covered institution to prepare a plan to structure the remuneration packages of the directors and executives so as to take into account of the objectives of the Act and require each covered institution to submit a report to CIROC demonstrating how its remuneration policies for the year ahead will comply with paragraph 47.

The Minister expects to appoint the members of CIROC soon.

*Covered Institution Required Action*

Covered institutions should prepare their remuneration reports to be forwarded to CIROC by 5 December 2008.

5. **Dividends**

*Scheme Requirement/Power*

Paragraph 42 of the Scheme requires covered institutions to comply with directions given by the Minister as regards the declaration and payment of dividends.

*Covered Institution Restrictions*

No covered institution to declare or pay dividends until further notice. The matter will be reconsidered periodically.

6. **Buy-Backs**

*Scheme Requirement/Power*

Paragraph 43 of the Scheme precludes covered institutions from buying back ordinary or other shares.

*Covered Institution Restrictions*

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7. No covered institution shall buy-back any of the securities (either debt or equity), which form part of its capital without the prior approval of the Financial Regulator.

**Funding**

*Scheme Requirement*

Paragraph 39 requires covered institutions to comply with asset/liability targets.

*Covered Institution Restriction*

No covered institution to raise any funding (other than through deposits) without prior consultation with the Minister and the Financial Regulator.

No covered institution to publish a prospectus, or instruct corporate finance advisors or other financial advisers in connection with a fundraising, without prior consultation with the Financial Regulator and the Minister.

Covered institutions will also be required to comply with the terms of Guidance Note No. 6 when it is issued by the Financial Regulator in relation to prospectuses and offer documents.

8. **Public Disclosure**

*Scheme Requirement/Powers*

Paragraph 36 permits the Minister in consultation with the Regulatory Authority to regulate the commercial conduct of the covered institutions to ensure the achievement of the objectives of the Scheme.

*Covered Institution Restriction*

A covered institution which intends to make any public disclosure as regards its assets, (including valuations, right downs or right offs) and/or liabilities other than those required in the ordinary course of business, will consult in advance with the Financial Regulator and the Minister.

Without prejudice to disclosures made in prospectuses and other offering documents, no covered institution shall otherwise explicitly promote itself on the basis of the Scheme.

9. **Lending practices**

*Scheme Requirement/Powers*

Paragraph 36 permits the Minister in consultation with the Regulatory Authority to regulate the commercial conduct of the covered institutions to ensure the achievement of the objectives of the Scheme.



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*Covered Institution Restriction*

In light of the objectives of the Scheme, covered institutions should report by end-month on their current practices and objectives in relation to the promotion of sustainable lending practices to promote balanced economic growth.

**10. Corporate Social Responsibility**

*Scheme Requirement/Powers*

Paragraph 45 of the Scheme contains a requirement for the covered institutions to procure that the Irish Banking Federation submit a bi-annual report on Corporate Social Responsibility.

*Covered Institution Restriction*

The covered institutions should initiate arrangements at this time with the Irish Banking Federation for the preparation of the first bi-annual report.

**11. Interbank deposits**

*Scheme Requirement/Powers*

As highlighted in the Minister's letter of 22 October 2008 covered institutions' recourse to interbank deposits with a maturity up to three months must be balanced and proportionate with overall funding needs so as to ensure consistency with the management of liquidity by the Eurosystem and compatibility with the operational framework of the Eurosystem.

*Covered Institution Restriction*

Covered institutions should report on their compliance to date with this aspect of the Scheme by mid-November.

**12. Compliance Certificate**

*Scheme Requirement/Powers*

Paragraph 27 of the Scheme requires that covered institutions provide the Regulatory Authority with compliance certificates every quarter from: (i) its auditors; and (ii) its chairman and chief executive jointly, confirming compliance with all of the terms and objectives of the Scheme.

*Covered Institution Restriction*

A form of compliance certificate will be provided to the covered institution by Monday 10 November, which will be required to be delivered to the Minister by the [last day] of each quarter. This certificate will be in addition to the [monthly] reporting detailed at paragraph 1 above.

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13. **Scheme interpretation issues**

Covered institutions should advise the Department as soon as possible of any issues that come to their attention relating to the interpretation of the Scheme in respect of which further guidance may be required (e.g. by investors, credit rating agencies).

14. **Risk management of the guarantee**

The Scheme confirms there will be timely payment of any valid claim under the guarantee to enhance the market acceptability of the guarantee arrangement. In order to minimise the risk of any claim being presented for payment each covered institution should report on the risk management arrangements in place to guard against a default event occurring.

15. **Directions**

The Minister will issue directions that will be publicly available in respect of the following:

- Dividends;
- Buy-Backs;
- Funding;
- Appointment of Directors to the Board.

Following receipt of the information discussed at paragraph 1, or earlier if required, the Minister may issue further directions generally, or specifically to institutions, in respect of such matters.



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Mr Tony Smyth  
Department of Finance  
Upper Merrion Street  
Dublin 2



11 December 2008

Dear Tony

**Government Guarantee – Anglo Irish Mortgage Bank ('Mortgage Bank')**

I refer to our previous discussions in relation to the above.

Please find enclosed a letter addressed to the Minister requesting that now that the Mortgage Bank has been granted a banking licence that it be included as a covered institution within the meaning of the Credit Institutions (Financial Support) Scheme 2008.

If you should have any queries in relation to the above, please do not hesitate to contact me.

Yours sincerely

Fiachre O'Neill  
*Head of Group Compliance, Legal and Tax*  
Direct: 01 616 2336

cc: Mary McKeon, Department of Finance  
Mary-Elizabeth Donoghue, IFSRA  
Matt Moran, Anglo Irish Bank

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Mr Brian Lenihan  
Minister for Finance  
Department of Finance  
Upper Merrion Street  
Dublin 2



11 December 2008

Dear Minister

**Government Guarantee – Anglo Irish Mortgage Bank ('Mortgage Bank')**

I refer to discussions with officials of your Department and the Financial Regulator.

The Mortgage Bank is a licensed Irish bank which is wholly owned by the Anglo Irish Bank Group ('Group'). It will issue Irish commercial mortgage covered securities to the market under the Assets Covered Securities Act 2007. By so doing the Mortgage Bank will improve the Group's access to funding, increase the investor base available to the Group and over the longer term will reduce the Group's cost of funding. Overall, this should assist in the reduction of the Group's liquidity and funding risk.

At the time of determining the institutions and subsidiaries to be designated as covered institutions under the Credit Institutions (Financial Support) Scheme 2008 ('Scheme'), we were still in the process of seeking a banking licence for the Mortgage Bank and therefore, it was not included. Now that a banking licence has been granted, I hereby request that the Mortgage Bank be included as a covered institution within the meaning of the Scheme and a Ministerial Order to that effect issued.

Should you require any further information, please do not hesitate to contact me.

Yours sincerely,

Fiachre O'Neill  
*Head of Group Compliance, Legal and Tax*  
Direct: 01 616 2336

## Meeting with Anglo

12 December 2008

Present: Finance: Kevin Cardiff, Pdraig O'Riordan, Tony Smyth  
Anglo: Sean Fitzpatrick, Michael Jacob, William McAteer, David Drum

DD Stated that Anglo Board met on the 11<sup>th</sup> December 2008 to consider the Banks position in relation to the share price and decided that the bank was not in a position to correct the situation on its own and that needed assistance from the State.

The meeting was adjourned to allow a delegation from the board to meet with the Department of Finance (K Cardiff and Ann Nolan) to ask for State assistance, and following that meeting they went on to meet with the Central Bank and Financial Regulator.

He stated that they had told the CB that they will require €2.5 bn in ordinary and preference shares to reach Tier 1 Capital of 8.5%. The Governor of the CB supported by Tony Grimes suggested that €3 bn would be required

The Anglo Board reconvened today prior to this meeting, and concluded that a direct market approach, by the bank itself, to raise capital will not work in the current situation. He reiterated that Anglo needs Government help and asked for State assistance to underwrite an open offer.

SF indicated that the current situation in relation to share price is not sustainable and that the bank will have liquidity problems in the short-term if the matter is not addresses.

DD indicated that there is a need to change the approach and for the State to be involved in the process. He asked for State involvement (underwriting) in an open offer which they feel sure private investors and shareholders will be interested in and will invest in Anglo. Both he and WMcA indicated that there was clear signs of European and American interest and the investors just needed to see "the deal" underwritten by the State. DD indicated that State involvement was critical to this process and the absence of State involvement, in the current climate, served only to create uncertainty and fear that any investment would be diluted by subsequent State involvement. They described it as a "chicken and egg" situation. He indicated that they feel that they felt confident that they could raise between €1- 1.5 bn from private investors.

K.C. Stated Government has indicated its intent to protect the banking system based on certain principals

1. The State will not any financial institution fail if that will give rise to systemic failure in the banking system



2. State involvement will protect taxpayer's interests and have regard to legal and EU implications.

The particular mode of Government response has to be considered, and there is need to assess the pros and cons of different approaches. State involvement is not the same as private investment and there is a whole range of legal, and EU constraints which have to be addressed. Further, there may be a need for legislation and in such case a need for prior Government approval. The money involved is sizeable, there are opportunity costs for the State, and it has to consider involvement as an investment rather than simply a cost on the State. Further we must consider whether a full blown recapitalisation is the appropriate approach or if another type of approach is required. He also indicated that the needs of other institutions need to be considered and any approach would have to be on an industry wide basis. He indicated that the issues would be considered and would go to the Minister and Taoiseach, probably over the weekend.

He raised the issue of "timing" and the implications of the requirements of Company Law (21 days notice for EGM etc) and the timeline required if legislation etc was required.

- SF Drew a distinction between the actual processes required by law and for legislation etc which have defined timelines and some form of statement of intent and commitment based on which a deal can be put together.
- DD Offered to provide an outline Anglo's views on what the deal should look like and undertook to supply a "term sheet" by email to KC by midday Saturday. The trust of the term sheet would set out a central theme and the issues which arose from that.
- KC Indicated that that would be helpful but it should be understood that the Department had to consider a comprehensive range of options, the need to provide an industry solution rather than one for Anglo and unlike private business there are a whole range of other constraints including, political, legislative and EU which had to be considered. He asked if the Anglo Board would need to sign off on this "term sheet" to which DD answered no. KC went on to ask what the Anglo Board's assessment of the situation is, does it consider the position sustainable, has the Board considered the business plan and how has it reacted to the Financial Regulator's comments and what the Board's response will be. Finally, what happens if you do not put the Capital in?
- DD indicated that this information can be provided. He then returned to the issue of the State underwriting the offer and the level of private participation that Anglo would attract. He added that Standard Life will sub-underwrite if Anglo can get a commitment on Government underwriting.
- KC expressed the view that the State will end up with most of it. He enquired how long it would take Standard Life to do due diligence.

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SF Indicated that due diligence would take circa 48 hours. He acknowledged that they need to prove that they can get a substantial part of the funds required and that they need to bridge a credibility gap between Finance/FR and Anglo's thinking.

DD Needed to know the time frame for Government response.

KC indicated that there was considerable work to be done. In terms of timeframe he would like to have the work done with time to spare. However, the potential for an early decision is dependant on the timing and needs of other institutions, and not all pieces are in place yet. There is also the need to get Minister and Government approval and the process through the Oireachtas - involving considerable dialogue and explanation, as the political system needs to be behind any process.

He reiterated again that the Government is committed to supporting the banking system and that the Government will not let a Bank of systemic importance fail.. He stated that he was not in a position to indicate what form the support would take or conditions might apply. He indicated that there is considerable work to be done across a whole range of options. The Minister will have to be briefed, make the decision and take the proposal to Government.

Anglo are to forward the "Temp sheet" on Saturday

Cardiff, Kevin

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**From:** David Drumm [daviddrumm@angloirishbank.ie]  
**Sent:** 13 December 2008 13:57  
**To:** Cardiff, Kevin  
**Subject:** Capital Scenarios  
**Attachments:** Draft Capital Plan.doc

Kevin I attach a very brief paper on potential plans to increase capital ratios.

This is very high level and I would appreciate an opportunity to discuss this in more detail with you, and in particular to understand how the Government would view potential structures etc.

As we discussed on the phone earlier, the media reports this morning have unfortunately put us in a very difficult position. Accordingly we are keen to get clarity as soon as possible on how matters might proceed.

<<Draft Capital Plan.doc>>  
Kind regards

David

**David Drumm**  
*Group Chief Executive*  
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13/12/2008



## Draft – For Discussion Purposes Only

### Re-Capitalisation Scenarios for Anglo Irish Bank

#### Existing Core Regulatory Capital Ratios

✚ Core	5.5%
✚ Core Including Prefs	6%
✚ Add Back General Provisions	6.7%

Notwithstanding strong existing capital levels, and robust loss absorption capability from future underlying profits, markets are now looking for core ratios in the range of 7.5% to 8.5%

Anglo will internally generate circa 70 – 80 bps per year in core capital, allowing for increased impairment under the bank's stress-case scenarios.

Accordingly the target level of core regulatory capital (including general provisions) will be reached in any event within a 2 year period.

#### Accelerating the Capital Building Process

Target is to increase Core Capital to between 7.5% and 8.5%. This is an increase of 2% to 3%.

Anglo's acceleration plan would have two components:

- ✚ (1) Buy back outstanding tier one bonds that are trading at a deep discount to create profit and therefore core capital.
- ✚ (2) Undertake a fully underwritten rights issue

NEED APPROVAL  
- 10 PROCESS

**(1) Buy back of Tier One Bonds**

Total Outstanding	€2.2 Billion
Buyback (say) 50%	€1.1 Billion
Cost (trading at 20c – assume 30c)	€0.3 Billion
Profit	€0.8 Billion
Addition to Core Capital	90 bps

**This leaves 110 bps to 210 bps to be raised from a rights issue:**

**(2) Fully Underwritten Rights Issue**

Amount	€1 Billion to €1.8 Billion
Comprising	50% Ordinary Shares / 50% Preference Shares
Ordinary Shares	Issued at Current Market Price pari passu With existing outstanding shares.
Preference Shares	Market Rate Coupon Market Conversion Rights Company right to redeem within specified term with redemption premium Structured to rank as Core Tier One Capital ✓
Underwriting	Fully underwritten by Government with minimum 50% sub-underwrite from Institutional Shareholders ✓
Timing	Announce W/E December 19 <sup>th</sup> . Prospectus mailed W/E December 26 <sup>th</sup> EGM Mid January Close and Fund mid February.

**Behan, Anne**

**From:** Beausang, William  
**Sent:** 18 December 2008 23:16  
**To:** Nolan, Ann; Cardiff, Kevin  
**Subject:** FW: Legal  
**Attachments:** ck1247initialdiligencelist.doc; DoF letter to Chair18 December 2008.doc

for info

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**From:** Beausang, William  
**Sent:** 18 December 2008 23:16  
**To:** 'Fiachre O'Neill'  
**Cc:** Baldock, Henrietta (IBK EMEA); 'Matthaeus, Andreas (IBK EMEA)'; 'Brendan McDonagh'; 'Cormac Kissane'; 'Padraig ORIordain'  
**Subject:** RE: Legal

Fiachre

Please find attached as discussed letter and schedule faxed over relating to due diligence starting tomorrow.

I'm advising the cc list some of which I understand will be involved in the work tomorrow of your mobile number [REDACTED] in order to co-ordinate arrangements.

You mentioned that it would be possible to access your building other than through the front entrance etc.

If any issues arise please don't hesitate to contact me.

Regards

William

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**From:** Fiachre O'Neill [mailto:FiachreO'Neill@ANGLOIRISHBANK.ie]  
**Sent:** 18 December 2008 22:24  
**To:** Nolan, Ann; Beausang, William  
**Subject:** Legal

Ann, William,

As requested we have accelerated the pulling together of the legal information outlined in your letter of December 16. While I have not spoken to your legal advisor, we are still working on this and I believe we should be in a position to provide the information by early tomorrow afternoon.

If you need further information, please let me know.

Regards,  
Fiachre

Fiachre O'Neill  
Head of Group Compliance, Legal and Tax  
Anglo Irish Bank Corporation plc

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17/02/2009



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Directors: S P FitzPatrick (Chairman), D Drumm (Chief Executive), L Bradshaw, D O'Connor, A Heraty, M D Jacob, W A McAteer, G McGinn, D Quilligan, N Sullivan, P Whelan, N Harwerth ( U.S.)

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17/02/2009

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**Recapitalisation**  
**Agenda for Preliminary Due Diligence Meetings**

**1. Strategy**

Discussion with management on current trading, financial projections and material issues facing the business, not in the public domain

Review of business plan prepared for Financial Regulator and institution's own 3 year plans

**2. Loan portfolio**

2.1 Identify any material changes since PWC reports (November and December 2008) for Government.

2.2 Identify any material changes in values of underlying security and any new valuations provided

2.3 Discussion on material non-performing loans

**3. Funding and liquidity**

3.1 What are the immediate funding requirements and identify any impact of any change of control.

3.2 Discuss the Bank's liquidity position and outlook, with reference to current levels of cash, eligible securities and key regulatory and other liquidity ratios.

3.3 Provide the maturity profile of the Bank's wholesale funding and proposed source and cost of refinancing.

3.4 Comment on current and planned utilisation of ECB repo facility, including the composition of already-repo-ed assets and residual capacity to access the facility.

3.5 Provide an overview of the current level of customer deposits, split by term structure and retail versus corporate and discuss recent trends in inflows/outflows, as well as pricing strategy.

3.6 Comment on current and expected levels and cost of interbank and short-term funding.

3.7 Any material comments on funding not disclosed to the Central Bank.

**4. Capital**

Any material changes to the Bank's capital position or likely capital requirements in the immediate future

**5. Treasury assets and structured credit portfolio**

5.1 Provide a summary of the Bank's portfolio of treasury assets and derivatives at the latest possible date, split by principal asset class, rating and vintage and highlighting any exposure to US sub-prime, CDOs, CLOs, leveraged loans, monolines, CDPCs and conduits.

- 5.2 Comment on any losses incurred YTD or expected to be incurred in FY08 in relation to the Bank's treasury portfolio (including losses relating to Lehman, Wamu, Icelandic banks).
- 5.3 Provide the weighted average mark for the principal asset classes, and comment on the valuation methodology (market price vs mark to model).
- 5.4 Provide information on any large or on watch counterparty exposures.

**6. Accounting**

- 6.1 Comment on any significant issues or differences of opinions raised by the Bank's auditors at the last audit review.
- 6.2 Comment on any recent or expected significant changes to accounting policy.
- 6.3 Comment on any deficit in the Bank's pension scheme, and any expected funding requirements/increase in contributions.
- 6.4 Identify any proposed reclassification of assets for accounting purposes.
- 6.5 Management letter, internal control reports or board reports issued by the auditor and response.

**7. Legal**

- 7.1 Respond to queries raised in letter issued by Department on 17 December.
- 7.2 Any defaults or likely default on the part of the Bank under any material contract.
- 7.3 Employment contracts for senior executives.
- 7.4 Share options and share schemes.
- 7.5 Any material correspondence with non-Irish regulators.
- 7.6 Details of material litigation or threatened material litigation.

**8. Other**

- 8.1 Comment on any recent rating agency discussions or actions, and any indications on likely future rating actions and the impact this would have on the business and its funding.
- 8.2 Comment on any expected management or board changes.
- 8.3 Comment on any expected significant changes to the business or forthcoming announcements.
- 8.4 Copies of all board minutes since 1 September 2008.
- 8.5 Copies of all financial and legal advice provided to the Chief Executive, Finance Director, the Chairman or the Board of Directors.
- 8.6 Details of any material loans to, or financial arrangements with, directors and senior executives.



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- 8.7 Identify non-core assets that could be available for disposal.
- 8.8 Any other material information that, on the basis of the utmost good faith, ought reasonably to be disclosed to an underwriter.

STRICTLY CONFIDENTIAL

18 December 2008

Chairman  
Anglo Irish Bank Corporation plc,  
Stephen Court,  
18/21 St Stephen's Green,  
Dublin 2.

Dear Chairman

I enclose a schedule setting out our requirements for the preliminary due diligence meetings which must be undertaken on an accelerated basis in respect of the State's proposed recapitalisation initiative.

I have asked our advisers (Arthur Cox, Merrill Lynch and PWC) to discuss the questions set out in the schedule with your senior management as soon as possible. I would appreciate if you would ensure that they are assisted in every way possible and that senior management with sufficient expertise and responsibility are available to meet them to discuss these issues.

We would like to complete this initial due diligence exercise at the earliest possible time so that we can continue to advance the recapitalisation initiative.

Copies of all relevant documentation should be provided in a data room accessible for review by our advisers as soon as possible.

Yours sincerely,

\_\_\_\_\_  
Kevin Cardiff,  
Second Secretary



An Roinn Airgeadais  
Department of Finance

Sráid Mhurfean Uacht, Upper Merrion Street, Telephone: 353-1 676 7571  
Baile Átha Cliath 2, Dublin 2, Facsimile: 353-1 678 9936  
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VPN: 8109  
<http://www.irigov.ie/finance>

STRICTLY CONFIDENTIAL

18 December 2008

Chairman  
Anglo Irish Bank Corporation plc,  
Stephen Court,  
18/21 St Stephen's Green,  
Dublin 2.

Dear Chairman

I enclose a schedule setting out our requirements for the preliminary due diligence meetings which must be undertaken on an accelerated basis in respect of the State's proposed recapitalisation initiative.

I have asked our advisers (Arthur Cox, Merrill Lynch and PWC) to discuss the questions set out in the schedule with your senior management as soon as possible. I would appreciate if you would ensure that they are assisted in every way possible and that senior management with sufficient expertise and responsibility are available to meet them to discuss these issues.

We would like to complete this initial due diligence exercise at the earliest possible time so that we can continue to advance the recapitalisation initiative.

Copies of all relevant documentation should be provided in a data room accessible for review by our advisers as soon as possible.

Yours sincerely,

Kevin Cardiff,  
Second Secretary



Recapitalisation  
Agenda for Preliminary Due Diligence Meetings

1. **Strategy**

Discussion with management on current trading, financial projections and material issues facing the business, not in the public domain

Review of business plan prepared for Financial Regulator and institution's own 3 year plans

2. **Loan portfolio**

- 2.1 Identify any material changes since PWC reports (November and December 2008) for Government.
- 2.2 Identify any material changes in values of underlying security and any new valuations provided
- 2.3 Discussion on material non-performing loans

3. **Funding and liquidity**

- 3.1 What are the immediate funding requirements and identify any impact of any change of control.
- 3.2 Discuss the Bank's liquidity position and outlook, with reference to current levels of cash, eligible securities and key regulatory and other liquidity ratios.
- 3.3 Provide the maturity profile of the Bank's wholesale funding and proposed source and cost of refinancing.
- 3.4 Comment on current and planned utilisation of ECB repo facility, including the composition of already-repo-ed assets and residual capacity to access the facility.
- 3.5 Provide an overview of the current level of customer deposits, split by term structure and retail versus corporate and discuss recent trends in inflows/outflows, as well as pricing strategy.
- 3.6 Comment on current and expected levels and cost of interbank and short-term funding.
- 3.7 Any material comments on funding not disclosed to the Central Bank.

4. **Capital**

Any material changes to the Bank's capital position or likely capital requirements in the immediate future

5. **Treasury assets and structured credit portfolio**

- 5.1 Provide a summary of the Bank's portfolio of treasury assets and derivatives at the latest possible date, split by principal asset class, rating and vintage and highlighting any exposure to US sub-prime, CDOs, CLOs, leveraged loans, monolines, CDPCs and conduits.

- 5.2 Comment on any losses incurred YTD or expected to be incurred in FY08 in relation to the Bank's treasury portfolio (including losses relating to Lehman, Wamu, Icelandic banks).
- 5.3 Provide the weighted average mark for the principal asset classes, and comment on the valuation methodology (market price vs mark to model).
- 5.4 Provide information on any large or on watch counterparty exposures.
- 6. **Accounting**
  - 6.1 Comment on any significant issues or differences of opinions raised by the Bank's auditors at the last audit review.
  - 6.2 Comment on any recent or expected significant changes to accounting policy.
  - 6.3 Comment on any deficit in the Bank's pension scheme, and any expected funding requirements/increase in contributions.
  - 6.4 Identify any proposed reclassification of assets for accounting purposes.
  - 6.5 Management letter, internal control reports or board reports issued by the auditor and response.
- 7. **Legal**
  - 7.1 Respond to queries raised in letter issued by Department on 17 December.
  - 7.2 Any defaults or likely default on the part of the Bank under any material contract.
  - 7.3 Employment contracts for senior executives.
  - 7.4 Share options and share schemes.
  - 7.5 Any material correspondence with non-Irish regulators.
  - 7.6 Details of material litigation or threatened material litigation.
- 8. **Other**
  - 8.1 Comment on any recent rating agency discussions or actions, and any indications on likely future rating actions and the impact this would have on the business and its funding.
  - 8.2 Comment on any expected management or board changes.
  - 8.3 Comment on any expected significant changes to the business or forthcoming announcements.
  - 8.4 Copies of all board minutes since 1 September 2008.
  - 8.5 Copies of all financial and legal advice provided to the Chief Executive, Finance Director, the Chairman or the Board of Directors.
  - 8.6 Details of any material loans to, or financial arrangements with, directors and senior executives.

- 
- 8.7 Identify non-core assets that could be available for disposal.
- 8.8 Any other material information that, on the basis of the utmost good faith, ought reasonably to be disclosed to an underwriter.



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Duffy, Eoghan

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From: Smyth, Tony  
Sent: 24 December 2008 10:37  
To: Nolan, Ann; Carrigan, Aidan; Beausang, William  
Cc: Duffy, Eoghan; Mulvihill, Marie; Kinsella, Sean; Carrigan, Aidan; Thompson, John; O'Neill, Colm  
Subject: Anglo Liquidity

I was on to Ciaran McArdle from Anglo this morning. He indicated that the liquidity position improved marginally by close of business yesterday (figures to come). He also indicated that Anglo have put contingency plans in place to ensure that liquidity requirements are covered over the holiday period. (up to Jan 2)

[REDACTED]

[REDACTED]

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Duffy, Eoghan

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**From:** Duffy, Eoghan  
**Sent:** 08 January 2009 14:05  
**To:** CiaranMcArdle@ANGLOIRISHBANK.ie  
**Cc:** mattcullen@angloirishbank.ie; davidhanley@angloirishbank.ie;  
petergeissel@angloirishbank.ie; brianlynch@angloirishbanks.ie; Smyth, Tony; Kinsella, Sean; Mulvihill, Marie; Carrigan, Aidan  
**Subject:** Meeting yesterday

Ciarán,

It was good to meet with you and colleagues yesterday, and very useful for us to get the insight into the bank's liquidity and funding operations.

I have been receiving the liquidity information from yourself and your team today, and I think this will work well for our purposes. Appreciate the time you are giving to this.

Just to recap on agreed information exchanges, most of which are in train now:

- Daily liquidity update reports (8am, 4pm)
- Daily funding pack
- Nostro cashflows
- Group funding updates
- Details on particular Interbank deposits as discussed
  
- Interbank and CP costs information
- Any significant competitor activity or market events which affect access to, or cost of funding
- Details on developments in discussions with lenders where change of control clauses will be triggered by the government recapitalisation

Let me know if I missed anything, or if you have any queries on this.

Regards,

Eoghan.

Eoghan Duffy  
Financial Services Division  
Department of Finance  
Merrion Street  
Dublin 2  
Phone: 604 5027

Duffy, Eoghan

From: Fiachre O'Neill [FiachreO'Neill@ANGLOIRISHBANK.ie]  
Sent: 08 January 2009 21:50  
To: Smyth, Tony  
Cc: Duffy, Eoghan  
Subject: Anglo Irish Bank Corporation plc - foreign offices and Mortgage Bank

Tony,

Further to our conversation this morning, we have offices in six foreign jurisdictions:

1. The UK operations are a branch in accordance with Article 25 of Directive 2006/48/EC. This is usually referred to as "an EU branch". Partially regulated by the FSA.
2. Germany - as UK. Partially regulated by the BaFin.
3. Austria - as UK. Partially regulated by the FMA.
4. United States - three representative offices in Massachusetts, New York and Illinois licensed by the Federal Reserve Bank and each State Regulator.
5. Isle of Man - a subsidiary licensed by the Isle of Man Financial Supervision Commission.
6. Jersey - a branch licensed by the Jersey Financial Services Commission.

I also confirm our conversation that we will launch the Mortgage Bank without the Govt Guarantee in place, and once the CEBS rules become clearer on the disclosure for Guarantors we will look to have the Mortgage Bank included.

Regards,  
Fiachre

Fiachre O'Neill  
Head of Group Compliance, Legal and Tax  
Anglo Irish Bank Corporation plc

Direct: +353 1 616 2336  
Mobile: +[REDACTED]

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\*\*\*\*\*  
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Directors: D O'Connor (Chairman), F Daly, A Dukes, A Heraty, M D Jacob, G McGann, D Quilligan, N Sullivan, P Whelan, N Harwerth ( U.S.) Registered Office: Stephen Court, 18/21 St Stephen's Green, Dublin 2 Ireland Registered in Ireland: No 22045 Anglo Irish Bank Corporation plc is regulated by the Financial Regulator. Anglo Irish Bank Corporation plc (trading as Anglo Irish Bank Private Banking) is regulated by the Financial Regulator. Anglo Irish Assurance Company Limited is regulated by the Financial Regulator.  
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**An Roinn Airgeadais  
Department of Finance**

15 January 2009

Sráid Mhírelean Uacht.  
Baile Átha Cliath 2.  
Eire.

Upper Merrion Street,  
Dublin 2,  
Ireland.

Telefon / Telephone 353 1 676 7571  
Facsimile / Facsimile 353 1 678 9936  
Glao Áituid / LoCall: 1890 66 10 10  
<http://www.rfgov.ie/finance>

Mr. Donal O'Connor  
Chairman  
Anglo Irish Bank Corporation plc,  
Stephen Court,  
18/21 St Stephen's Green,  
Dublin 2.

Dear Mr. O'Connor,

On the 21<sup>st</sup> December 2008, the Minister for Finance announced a proposed investment of €1.5 billion in Anglo Irish Bank plc. The investment was to be in the form of €1.5 billion of perpetual preference shares with a fixed annual dividend of 10%. These preference shares were to carry 75% of the voting rights of Anglo Irish Bank.

Based on further consideration of all the financial circumstances and in particular taking account of continuing negative market sentiment specific to Anglo Irish Bank, the Government has decided not to proceed with the proposed recapitalisation.

The Government remains committed to provide appropriate support for Anglo Irish Bank. In this context could you please confirm that it is the view of the Board that Anglo Irish Bank remains solvent and indicate that it is still the view of Anglo Irish Bank that given appropriate support it would remain a viable institution in a nationalisation context, and that the bank is open to this course of action.

Yours sincerely

Kevin Cardiff  
Second Secretary

Stephen Court  
18/21 St. Stephen's Green  
Dublin 2  
Ireland

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SWIFT: AngloIE2D  
Website: www.angloirishbank.com

Fax: Banking +353 1 6162481  
Fax: Treasury + 353 1 6162467  
Fax: Personal Savings + 353 1 6162483  
Fax: Personnel + 353 1 6162488

*for file 27/1*

*1. Mr. Smith to note  
2. Mr. Dwyer to file*



15<sup>th</sup> January 2009

Mr Kevin Cardiff  
Second Secretary General  
Taxation & Financial Services Division  
Government Buildings  
Upper Merrion Street,  
Dublin 2.

Dear Mr Cardiff,

I refer to your letter dated 15 January 2009 and our meeting this afternoon.

The board of Anglo Irish Bank Corporation plc has noted the Government's decisions not to proceed with the proposed investment announced on 21 December 2008 and to take the Bank into public ownership. In particular it notes that the Government proposes to pay compensation to the Bank's shareholders and that all employees will remain employed by the Bank.

I would like to confirm that the Board will work fully with the Government with a view to achieving a successful transition and a future as an independent and commercial Bank under State ownership.

You have asked that the Board address certain issues. First, we have considered the funding and the assets and liabilities of the Bank and we confirm that in the context of the Government's commitment the Bank remains solvent. Secondly, while we cannot predict the response of our depositors and other creditors to nationalisation with accuracy, we confirm our belief that, given all necessary support, the Bank can remain a viable institution in the context of nationalisation.

Yours sincerely,

**Donal O'Connor**  
Chairman

**Directors:** Donal O'Connor Chairman, Frank Daly, Alan Dukes, Noel Harverth (UK), Anne J. Heraty, Michael Jacob, Gary McGinn, Declan Quilligan, Ned Sullivan, Pat Whelan

**Registered Office:** Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland. Registered in Ireland: No 22045.  
Anglo Irish Bank Corporation plc is regulated by the Financial Regulator in Ireland.

**Mulvihill, Marie**

**From:** John Paul Coleman [JohnPaulColeman@ANGLOIRISHBANK.ie]  
**Sent:** 20 January 2009 16:06  
**To:** O'Neill, Colm; Smyth, Tony; Mulvihill, Marie  
**Cc:** David Hanley; Russell Waide  
**Subject:** Perpetual Bonds Not Covered by the Guarantee  
**Attachments:** Note.pdf

Marie,

As discussed as at the 30<sup>th</sup> September 2008 (last published accounts) the Bank had €2.835 billion of perpetual bonds not guaranteed under the scheme.

This includes the Banks GBP300million preference shares (€371million at 30<sup>th</sup> September). Attached is the note which will be in the Banks annual accounts showing this for September. The note has both dated and undated but I have highlighted the undated (perpetual) bonds.

Any additional information needed please let me know.

Regards,  
John-Paul

John-Paul Coleman  
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[johnpaulcoleman@angloirishbank.ie](mailto:johnpaulcoleman@angloirishbank.ie)  
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Directors: D O'Connor (Chairman), F Daly, A Dukes, D Quilligan, P Whelan.

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# Notes to the financial statements continued

## 39. Other liabilities

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Amounts attributable to external unitholders linked to investment contracts (note 38)	77	110	-	-
Sundry liabilities	79	65	77	55
	156	175	77	55

## 40. Subordinated liabilities and other capital instruments

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
<b>Dated Loan Capital</b>				
€750m Floating Rate Subordinated Notes 2014 (a)	722	749	722	749
US\$165m Subordinated Notes Series A 2015 (b)	117	115	117	115
US\$35m Subordinated Notes Series B 2017 (c)	25	24	25	24
€500m Callable Floating Rate Subordinated Notes 2016 (d)	499	499	499	499
€750m Callable Floating Rate Subordinated Notes 2017 (e)	749	749	749	749
<b>Undated Loan Capital</b>				
Stg€200m Step-up Callable Perpetual Capital Securities (f)	262	294	-	-
Stg€250m Tier One Non-Innovative Capital Securities (g)	336	368	-	-
€600m Perpetual Preferred Securities (h)	452	521	-	-
Stg€300m Non-Cumulative Preference Shares (i)	371	407	371	407
Stg€300m Step-up Perpetual Subordinated Notes (j)	385	424	385	424
€600m Fixed/Floating Perpetual Preferred Securities (k)	571	599	-	-
Stg€350m Fixed/Floating Perpetual Preferred Securities (l)	458	516	-	-
Other subordinated liabilities	1	9	1	9
	4,948	5,274	2,869	2,976

taken by the government

€2,836

All subordinated liabilities and other capital instruments issued by the parent Bank are unsecured and subordinated in the right of repayment to the ordinary creditors, including depositors of the Bank. The prior approval of the Financial Regulator in Ireland is required to redeem these issues prior to their final maturity date.

During the year the Group repurchased subordinated liabilities and other capital instruments with a nominal value of €94m. In addition, other subordinated liabilities of €8m matured during the year.

(a) The €750m Floating Rate Subordinated Notes 2014 bear interest at three month EURIBOR plus 0.45% per annum to 25 June 2009 and thereafter at three month EURIBOR plus 0.95% per annum.

(b) The US\$165m Subordinated Notes Series A 2015 bear interest at 4.71% per annum to 28 September 2010 and thereafter reset at three month LIBOR plus 0.92% per annum.