

Reports from the ILPGH Annual General Meeting on 18 May 2011

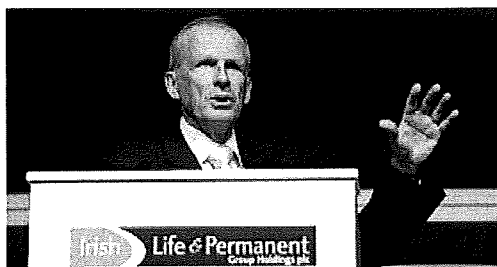
Irish Examiner

<http://www.irishexaminer.com/business/ilp-chief-up-to-25bn-needed-from-government-155048.html>

IL&P chief: Up to €2.5bn needed from Government

Thursday, May 19, 2011

THE new chairman of Irish Life & Permanent (IL&P) has said that up to €2.5 billion of the group's €4 billion post-stress test capital requirements will have to come from the Government, but has told shareholders that the business is not on the brink of bankruptcy.



By Geoff Percival

Addressing shareholders at the group's — at times, volatile — annual general meeting, yesterday, Alan Cook said that the onus is on IL&P to try to raise as much of the €4bn as possible, by its own means.

A large part of that seems likely to be via the sale of its profitable life and pensions business; a move currently being advised upon by Deutsche Bank.

That process, however, is only likely to raise around €1.5bn in capital, but will only be passed after an extraordinary general meeting of shareholders.

Mr Cook said that while the rise in IL&P's capital requirements from €243m to €4bn in less than a year is "an amazing conundrum", the group's financial conditions have not materially changed in the past 12 months. He said there is "no alternative" to adhering to the stress test requirements.

"The business is not on the brink of insolvency, but there is a requirement for us to guard against a much greater and stringent set of conditions; even though it is unlikely that such conditions will apply in the future," he said.

Angry shareholders called for an adjournment of yesterday's meeting until a future date, while legal advice could be taken by the board as to how to avoid having to accept the stringency of the new capital requirements and how to stop the sales process of the life business.

However, despite a 30 minute break in proceedings and the walk-out of a small proportion of the near 300 strong crowd in Dublin's RDS, the meeting proceeded.

Mr Cook said the new capital requirements for the banks will help put Ireland back on track, but admitted the stress test results seemed "profoundly unfair" on IL&P shareholders, as the bank had been the only part of the country's financial network not to previously tap the Government for bailout funds.

He added that while the entire IL&P board supported the bailout need, it didn't mean they liked it.

Mr Cook also told shareholders that he is fully committed to working for their best interests.

© Irish Examiner Ltd. All rights reserved

Irish Examiner

<http://www.irishexaminer.com/business/permanent-tsb-has-strong-future-despite-mortgage-arrears-figures-hike-155051.html>

Permanent TSB 'has strong future' despite mortgage arrears figures hike

Thursday, May 19, 2011

PERMANENT TSB — which yesterday reported a significant increase in mortgage arrears levels since the turn of the year — has a "strong, viable and sustainable future", according to its management.



By Geoff Percival

A trading update published by parent group Irish Life & Permanent (IL&P), revealed that arrears cases (90+ days) among PTSB's residential mortgage customers were up 17% to 13,500 during the first four months of 2011 from the previous quarter.

Early arrears cases — less than 90 days — rose from 4,800 to 5,000 over the same timeframe. The bank said consumer finance arrears are "stable", but that its British mortgage book "continues to trend downwards".

Its loan impairment charges this year are expected to remain in line with the 2010 provision of €420 million, with total impairments expected to amount to €1.2 billion over the next three years.

Rising inflation and further ECB interest rate hikes are expected to keep mortgage arrears levels in decline over the coming months, however, while demand for new mortgages from PTSB continues to be very weak.

Yesterday's group trading update also stated that sales of IL&P's life assurance and investment products in the year-to-date are up 20% on a like-for-like basis.

Speaking after the group's annual general meeting, IL&P chairman Alan Cook said PTSB can have a strong and viable future and can provide healthy competition to the two larger pillar banks.

However, he gave no timeframe on a possible sale of IL&P's life and pensions business, but did say the disposal is "probably an inevitability". He said IL&P should take "all reasonable steps" to raise as much as possible of its €4bn capital requirement by its own means.

He stressed that management will push for the best deal for the group, its shareholders and the state.

IL&P's share price — which is down about 95% over the past 12 months — rose by nearly 6% yesterday to 13c.

© Irish Examiner Ltd. All rights reserved

RTE

<http://www.rte.ie/news/business/2011/0518/301194-ilp/>

Updated: 19:16, Wednesday, 18 May 2011

Alan Cook, Irish Life and Permanent's new chairman, said the group's financial state has gone through a massive transformation since last autumn.

He said the requirement for funding, going up from €243m to an 'astonishing' €4 billion, means that the group's challenges are now at a much higher level.

He said: 'We do not have a choice but to take whatever steps are necessary to raise that €4 billion, the balance will be provided by the Irish State.'

Mr Cook told shareholders he expects the group will have to rely on the government for capital support of up to €2.5 billion.

ILP plans to sell its life and pensions business.

Mr Cook assured shareholders that he was been selected by the board, and then interviewed by both the Central Bank and the Minister for Finance before he was named chairman.

He said the reality is that the bank stress test criteria have been argued through.

He said: 'I've reviewed the debate and discussion. The task ahead is exceptionally challenging. 'It's a significant task that we now go through the process of raising the €4 billion in the most logical way possible.'

Mr Cook said he did not want to give shareholders the impression that the group would walk away from raising the additional €4 billion in capital.

A small group of Irish Life and Permanent shareholders was unsuccessful in having a motion passed to adjourn the group's annual general meeting.

The group had questioned the ILP board's commitment to raising €4 billion under the capital requirements set out by the Central Bank in March; it has also wanted the group's registrars to be supervised when counting votes at meetings and the electronic voting devices replaced by a show of hands.

Earlier, a shareholder proposed that the company's annual general meeting be adjourned until all of the group's board members confirm that they stand behind the group's intention to raise €4 billion in new capital.

The shareholder wanted the group's board to try to avoid raising the €4 billion that the Central Bank has said ILP needs in new capital.

Another shareholder said the reason most people in the room are extremely annoyed with the situation is that last September a stress test was done and six months later another stress test said the capital requirement was 16 times bigger.

He said: 'Either the stress test of last September was an utter joke, or the most recent one was. It's as simple as that.'

Arrears on Irish mortgage book still rising

Irish Life & Permanent said that arrears in its Irish residential and commercial mortgage books are continuing to rise.

In an interim management statement ahead of its AGM in Dublin today, it said that the Irish residential mortgage arrears over 90 days increased by 17% to 13,500 by the end of April. Early arrears - under 90 days - have risen from 4,800 cases in December to just over 5,000 by the end of April.

ILP said that lending demand for its home mortgages and consumer finance continues to be extremely weak and new advances during the first three months of the year are 40% lower than the same time last year.

It said that based on trends to date, provisions for bad debts are expected to be broadly in line with the 2010. It said the total impairments over the next three years will be €1.2 billion, of which about €620m will occur this year.

The company said that the life and investment management business are performing broadly in line with expectations. But it added that the impact of budgetary changes on customers' incomes has led to the 'weaker persistency experience' in the retail life business.

It said the acquisition of the Irish Nationwide Building Society deposit balances in February has been positive for the bank's banking business but funding conditions continue to be 'challenging'.

Irish Life and Permanent says that while it believes the worst of the recession is over in Ireland, it expects the recovery in 2011 to be modest with continued weakness in domestic demand and consumer sentiment. This, though, will be partially offset by a strong export sector performance.

Shares in Irish Life and Permanent closed up 5.9% to 13 cent in Dublin this afternoon.

RTE TV Report from the ILPGH Annual General Meeting on 18 May 2011:

<http://www.rte.ie/news/av/2011/0518/media-2961144.html#>

RTE Radio Report from the ILPGH Annual General Meeting on 18 May 2011:

<http://www.rte.ie/news/av/2011/0518/media-2960694.html#>

Shareholders round on Cook over losses

OUTSIDE THE RDS, Portuguese football fans chanted ahead of a European cup final down the road at the Aviva Stadium. Inside shareholders made as much of a racket.

Chairman Alan Cook, Irish Life and Permanent's replacement for Gillian Bowler, got it in the neck from shareholders at what is likely to be the last annual meeting of the company in its present form.

The Central Bank's stress tests in March set ILP's capital requirement at €4 billion, leaving Government control a racing certainty. Furious shareholders, who may see all of their investment wiped out, rounded on Cook, noting that the company said last September that it required just €243 million.

Choosing an analogy suitable to the footballing occasion, he said: "The goalposts have been moved."

He admitted that the finances of the company were "not materially different from last September", but that the Central Bank applied a far tougher set of conditions. "They have applied a killer punch," the Englishman later said, mixing his sporting metaphors.

One shareholder said ILP's capital bill had increased 16-fold in just six months, describing either last September's stress tests or the March tests as "an utter joke".

Cook said he was not a fan of the tests but "this is what we are saddled with", leaving the company with an "astonishing" €4 billion target.

He was accused of not defending the 100,000 shareholders.

"Running away from the problem is not my style," he said.

"You should be running to challenge this," shouted one investor.

He had argued for shareholder losses to be minimised, he said.

Piotr Skoczylas, head of Malta investment fund Scotchstone Capital, argued throughout the stormy three-hour meeting, saying shareholders should not be wiped out when ILP was not insolvent.

The Polish-born investor, who handed out leaflets to rally investors to his cause, said shareholders were being asked to pay for "an artificial state of bankruptcy".

Cook said the tests benefited the State by restoring confidence in the banks but this was little consolation for ILP shareholders.

"It seems profoundly unfair but it is a reality," he said.

One shareholder, John O'Riordan, said Cook's arrival was "a bit like being appointed captain of the Titanic as it hit the iceberg".

"It certainly has been a baptism of fire," responded Cook.

Irish Independent

<http://www.independent.ie/business/irish/shareholders-learn-harsh-rules-of-business-life-26733885.html>

Shareholders learn harsh rules of business life

THOMAS MOLLOY - 19 MAY 2011

IT'S difficult not to feel some sympathy for IL&P's shareholders, who have seen shares slump from close to a euro just two months ago to 12.5 cents yesterday.

The company looked like it had a real future because it lent to ordinary people rather than developers and because it owns a profitable life assurance arm that protects people's savings and livelihoods.

The shares had been sliding slowly over the past two years but finally tanked in March when the State-inspired stress tests conducted by BlackRock called on Irish Life to raise €4bn -- or 16 times more than the Central Bank's previous stress test in September.

Whether this is too much remains to be seen, but it effectively ended any chance of Irish Life continuing to survive without state aid.

Irish Life's new chairman, Alan Cook, called the decision "unfair" three times as shareholders complained bitterly about their fate yesterday.

Mr Cook made it plain that he believes Irish Life to be a victim of the Government's need to convince the markets that Ireland Inc is well capitalised. Describing the €4bn demand as a "killer punch", he dismissed BlackRock's scenarios as "a set of artificial assumptions".

It almost goes without saying that the last remark is meaningless twaddle. All scenarios are "meaningless assumptions" but it is a basic rule of business life, and indeed real life, that one looks at what might happen.

Almost every government assumption since the liquidity crisis began in 2007 has been overly optimistic and chipped away at Ireland's credibility overseas.

It was time for some new assumptions and it is far too early to say whether those assumptions are pessimistic or optimistic.

Certainly, it is too early for Mr Cook to make a definitive statement; he is only in the job four weeks and the bitter lessons of the past show it takes a long, long time to determine the real quality of Irish loan books.

Mr Cook revealed yesterday that Irish Life hired legal firm Goodbody's to examine the legality of the Central Bank's demands. The lack of any subsequent legal action suggests the lawyers advised the Central Bank was well within its rights.

One shareholder, Piotr Skoczylas, of London-based Scotchstone Capital, made the point repeatedly that any central bank can drive any financial services company out of business by changing the rules.

While this is undoubtedly the case, it is hardly news. Central banks regulate high street lenders and are entitled to boss them around. Especially when those lenders depend on central banks for survival.

While the Central Bank and BlackRock did what they had to do, there is little doubt that IL&P's shareholders have suffered most and may yet have good reason to feel aggrieved.