

Corporate governance statement

On 15 January 2009 the Government announced that it would take steps that would enable the Bank to be taken into State ownership. The legislation providing for the transfer of all the shares of the Bank to the Minister for Finance was enacted under Irish law on 21 January 2009. On the same date the Bank was re-registered as a private limited company.

This Corporate governance statement describes how the Bank applied the principles of The Combined Code on Corporate Governance ('The Combined Code') issued by the Financial Reporting Council in June 2006 and the Bank's compliance with The Combined Code's provisions throughout the financial year ended 30 September 2008.

The Directors believe that the Group has complied with the provisions of The Combined Code throughout the financial year ended 30 September 2008.

Board of Directors

The Board of Directors recognises its responsibility for the leadership, direction and control of the Bank and the Group and its accountability to the shareholders for financial performance. It delegates the management and day-to-day running of the Bank to a Group Chief Executive and senior management. As at 30 September 2008, the Board comprised a Chairman, seven Non-executive Directors and four Executive Directors.

There were six scheduled meetings of the Board during the financial year. Details of attendance by Directors at scheduled meetings of the Board and its Committees during the year ended 30 September 2008 are set out on page 29. In addition, there were a number of other meetings of the Board held during the year. The Board is provided with relevant papers in advance of meetings to enable it to carry out its duties. It receives regular management reports and information on corporate and business issues to enable reviews of performance against business targets and objectives.

The Board keeps a formal schedule of matters specifically reserved for its decision. These include agreement of strategic objectives, annual plans and performance targets, monitoring and control of operations, review of the performance of Board Committees and approval of specific senior appointments.

Ned Sullivan was the Senior Independent Non-executive Director throughout the financial year ended 30 September 2008. The Non-executive Directors are independent of management and have varied backgrounds, skills and experience.

The Bank has insurance in place to cover the Directors and Officers in respect of legal actions which may be brought against them in the course of their duties.

Roles of Chairman and Group Chief Executive

The distinct and separate roles of the Chairman and Group Chief Executive are set out in writing and have been approved by the Board. There is a clear division of responsibilities.

The role of Chairman includes the promotion of corporate governance, effective communication with shareholders and leadership of the Board. The Chairman facilitates the effective contribution of Non-executive Directors in particular.

The role of Group Chief Executive includes responsibility for the day-to-day management of the Bank's operations. The Group Chief Executive has the central role in maintaining and enhancing the culture of the Bank and in motivating staff to act in the Bank's best interests. Together with the Group Finance Director, the Group Chief Executive has responsibility for relationships with shareholders.

Independence of the Board

In the year ended 30 September 2008 the Board was satisfied that each of the Non-executive Directors was independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Directors, including length of service on the Board and cross-directorships.

Appointments to the Board

Directors are appointed initially for three years and, subject to satisfactory performance, may be appointed for an additional three year term. In individual cases, the appointment may be further extended subject to a rigorous review of performance. A clear and well established process is in place for the appointment of new Directors.

Appointments to the Board are made based on merit and using objective criteria. The terms and conditions of appointment of Non-executive Directors were available for inspection at the registered office during normal business hours and at the Annual General Meeting in 2008.

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On joining the Board, new Directors receive formal and tailored induction which includes visits to the Group's major businesses and meetings with Directors and senior management. Directors also update their skills and knowledge on an ongoing basis, with a particular focus on ensuring that the Non-executive Directors are informed on issues of relevance to the Bank and its operations.

The Directors can avail of the advice and services of the Group Company Secretary. The Directors and Committees of the Board can also seek independent professional advice, if required, at the Bank's expense.

Performance evaluation

A formal performance evaluation of the Board, its Committees, individual Directors and the Chairman was completed in November 2007. This evaluation included a series of performance review meetings, assisted by external consultants in the case of the Board and its Committees. The results of the evaluation were discussed by the Board and its recommendations implemented.

Re-election

At each Annual General Meeting one third of the Directors retire and may offer themselves for re-election. Each Director must stand for re-election at least once every three years. New Directors are required to retire at the Annual General Meeting following their appointment and may offer themselves for re-election. The names of Directors submitted for re-election are accompanied by biographical details in order to allow shareholders to make an informed decision.

Board Committees

In accordance with the provisions of The Combined Code, the Board has established four Committees operating under their own specific terms of reference which are reviewed annually by the Board. These terms of reference, setting out roles and responsibilities, are available on request through the Group Company Secretary and on the Bank's website. Membership of Board Committees is reviewed on a regular basis.

Remuneration Committee

Members at 30 September 2008:

Ned Sullivan (Chairman), Sean FitzPatrick, Anne Heraty and Gary McGann.

The Remuneration Committee is responsible for the formulation of the Group's policy on remuneration in relation to all Executive Directors and other senior executives. The Committee's report on behalf of the Board on Directors' remuneration and interests is set out in note 50 to the financial statements.

Audit Committee

Members at 30 September 2008:

Gary McGann (Chairman), Michael Jacob and Donal O'Connor.

The Audit Committee reviews the Group's financial statements, considers the significant financial reporting issues and judgements which they contain and makes recommendations to the Board concerning their approval and content. The Committee also monitors the integrity of the Group's system of internal financial control. It reviews the scope of the audits and the plans, findings and recommendations of the Group internal and external Auditors.

The Committee has unrestricted access to both the Group internal and external Auditors and met privately with the external Auditors during the year. The Audit Committee pre-approves all non-audit services provided by the external Auditors.

Risk and Compliance Committee

Members at 30 September 2008:

Lar Bradshaw (Chairman), Noël Harwerth and Ned Sullivan.

The Risk and Compliance Committee's role is to oversee risk management and compliance within the Group. It reviews, on behalf of the Board, the key risks and compliance issues inherent in the business and the system of internal control necessary to manage them and presents its findings to the Board.

Nomination and Succession Committee

Members at 30 September 2008:

Anne Heraty (Chairman), Lar Bradshaw,
David Drumm, Sean FitzPatrick and
Donal O'Connor.

The Nomination and Succession Committee is responsible for recommending candidates to the Board for appointment as Directors and ensuring a suitable induction programme is in place for all new Directors. The Committee considers succession planning and regularly reviews the Board's structure, size, composition and balance.

Prior to any appointment, the Committee identifies the skills, attributes, experience and time commitment required for the role. It agrees a preferred profile with the Board as a whole and receives recommendations from the existing Directors.

In the appointment of Donal O'Connor to the Board, given the agreed preferred profile for the role and the knowledge and experience of the Directors regarding potential candidates, the Directors did not believe it was necessary to use either external search consultants or open advertising.

Internal control

The Directors acknowledge their overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and provides reasonable but not absolute assurance against material financial misstatement or loss. Such losses could arise due to the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

In December 2008 the Board commenced a formal review of governance following disclosures by the Bank relating to Directors' loans. A committee of the Board has been established to oversee this process.

The review will establish the facts in relation to these loans and will be carried out using independent external advisors. On completion, the Board will implement recommendations arising to ensure that the Bank's governance is of the highest standard.

The Group's system of internal control includes:

- An organisation structure with clearly defined authority limits and reporting mechanisms to senior levels of management and to the Board;

- A Group Risk Management function and a Group Compliance function with responsibility for ensuring that risks are identified, assessed and managed throughout the Group. The Group Credit Committee together with the Group Asset and Liability Committee provide support to the Audit Committee and the Risk and Compliance Committee;
- An annual budgeting and monthly financial reporting system for all Group business units which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon; and
- A set of policies and guidelines relating to credit risk management, asset and liability management (including interest, currency and liquidity risk), compliance, operational risk management, capital expenditure, computer security and business continuity planning.

The Group Internal Audit function reports to the Group Chief Executive and the Audit Committee. The system of internal control is reviewed by Group Internal Audit. Emphasis is focused on areas of greatest risk as identified by risk analysis. The internal control systems are subject to regulatory supervision by the Financial Regulator and other overseas regulators.

Following each meeting of the Audit Committee and the Risk and Compliance Committee, the Committee Chairmen report to the Board and minutes of such meetings are circulated to all members of the Board.

The Board confirms that there is a framework in place (which is described in note 47) for identifying, evaluating and managing the significant risks faced by the Group. This framework is regularly reviewed and is in accordance with the Turnbull guidance.

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls for the year ended 30 September 2008 and for the period up to and including the date of approval of the financial statements. The review undertaken covers all aspects of control including financial, operational and compliance controls and risk management. Any significant weaknesses identified from this review will be addressed by the Directors.

Further information regarding reviews of internal controls and governance matters, including matters referred to in the Annual Report, is included in the Letter from the Executive Chairman.

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Going concern

The Directors confirm that they are satisfied that the Bank and the Group have adequate resources to continue to operate for the foreseeable future and are financially sound, as described in note 1.2. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Relations with shareholders

The Directors were kept informed on shareholder relations through regular reports to the Board by the Group Chief Executive and Group Finance Director and through feedback from shareholders, brokers and investment bankers. There was regular communication with individual institutional shareholders, financial analysts and brokers. Presentations were given and conference calls were held at the time of major announcements which provided opportunities for Directors to hear the views of shareholders directly.

All shareholders were invited to attend the Annual General Meeting in 2008 and to participate in

proceedings. Notice was sent to shareholders at least twenty working days in advance of the meeting. At the Annual General Meeting, separate resolutions were proposed on each substantially separate issue. The Chairmen of the Remuneration Committee, Audit Committee, Risk and Compliance Committee and Nomination and Succession Committee attended the Annual General Meeting.

The Group uses its internet site (www.angloirishbank.com) to provide the full text of each annual and interim report for the previous five years. The website also provides detailed financial data, Bank information, information on credit ratings and other press releases.

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act 2009, all of the Bank's ordinary and preference share capital was transferred to the Minister for Finance.