

Corporate governance statement

The Board of Directors is accountable to the Shareholder for the overall performance of the Group. In doing so, it is responsible for:

- The effective, prudent and ethical oversight of the Bank;
- Setting the business strategy for the Bank, following consultation with the Shareholder; and
- Ensuring that risk and compliance are properly managed in the Bank.

The Board is cognisant of the responsibilities of the Board and its individual members under the Credit Institutions (Stabilisation) Act 2010.

The UK Corporate Governance Code (the 'Code'), as updated by the Financial Reporting Council in June 2010, sets out a model of best practice principles for good governance. Companies listed on the Irish Stock Exchange are required to report on their compliance with the provisions of the Code. Although the Bank's shares are no longer listed on the Irish and London Stock Exchanges, the Board continued to support the principles and provisions of the Code during 2010 as the predominant corporate governance code in issuance. Furthermore, the Board now welcomes and endorses the principles as set out in the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings ('the Central Bank Code') which became effective as and from 1 January 2011. Following the implementation of the Central Bank Code, the Board now notes that this is the primary corporate governance code to which the Bank will be subject from 2011 onwards.

The Board believes that the application of the principles in the Code assist the Group to comply with the ethical and other considerations implicit in the Code of Practice for the Governance of State Bodies (May 2009), as published by the Department of Finance.

The Bank is in compliance with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

This corporate governance statement describes how the Bank applied the principles of the Code throughout the year ended 31 December 2010. Except where otherwise stated, the Directors believe that the Group has complied with the provisions of the Code throughout the year.

Relationship with the Shareholder

In addition to the provisions of the Anglo Irish Bank Corporation Act, 2009, a Relationship Framework between the Minister and the Bank was formally approved by the Board in June 2009 and is currently under review. This provides the framework under which the relationship between the Minister and the Bank is governed. Under the Relationship Framework, certain key matters are reserved to the Minister, and in respect of which the Board may only engage on the instructions of, or with the prior consent of, the Minister.

There has been regular two way communication between the Shareholder and the Board during the financial year on a wide range of issues, including in particular strategic matters regarding the restructuring of the Bank within the overall re-organisation of the Irish financial system, with the Directors being kept informed of the Shareholder's views through regular reports to the Board by the Chairman and the Group Chief Executive and through meetings between the Board, or the Chairman, and the Minister.

Board of Directors and Membership

The Board of Directors recognises its responsibility for the leadership, direction and control of the Bank and the Group and its accountability to the Shareholder for financial performance. As at 31 December 2010, the Board comprised the Chairman, four Non-executive Directors and the Group Chief Executive. The Board sees it as a priority to further enhance its existing skills and experience through the recruitment of further independent Non-executive Directors, with a process having commenced in this regard.

The Non-executive Directors are independent of management, with varied backgrounds, skills and experience.

There have been a total of 39 board meetings during the financial year, 10 of which were scheduled. The purpose of the 29 unscheduled meetings was to address a variety of matters, including discussions in respect of the difficult market conditions that existed during the financial period and included funding issues, capital matters, legacy related matters and the Bank's Restructuring Plan.

All Directors are expected to attend each meeting and the attendance at board and committee meetings during 2010 is set out on page 29. Directors are provided with relevant papers in advance of each meeting. In addition, electronic copies of meeting papers and other relevant information are available to Directors.

If any Director is unable to attend a meeting, he will still receive the supporting papers and will have the opportunity to discuss any matters he wishes to raise with the Chairman to ensure his views are given due consideration. During the financial year, many of the unscheduled meetings were arranged at short notice and it was not always possible for all Directors to attend. The attendance rate at board and committee meetings for 2010 was 95%.

The Board keeps a formal schedule of matters specifically reserved for its decision. These are matters which are significant to the Bank because of their strategic, financial or reputational implications and 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. The schedule of matters reserved for the Board was reviewed, updated and approved by the Board in February 2011. In addition, a formal Board Charter was also approved and adopted in November 2010 which details the rules governing the operation of the board as well as outlining the responsibilities of the Board and the Directors. The Chairman, Group Chief Executive and Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters.

Maurice Keane was appointed as the Senior Independent Director on 25 November 2010.

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. In addition, the Bank has offered a third party indemnity to individuals who act as officers of Bank subsidiaries or other related entities in relation to certain losses and liabilities which they may incur in connection with their duties, powers or office.

Corporate governance statement continued

Roles of Chairman and Group Chief Executive

Alan Dukes was appointed as Non-executive Chairman of the Bank with effect from 14 June 2010, following Donal O'Connor's retirement as Chairman and Director of the Bank.

The roles of Chairman and Group Chief Executive are distinct, separate and have been agreed by the Board and are documented within the Board Charter.

The Chairman's main responsibility is to lead and manage the Board, encourage critical discussions, challenge mind-sets and additionally, promote effective communication within the Board. In addition, he is responsible for promoting best practice corporate governance and effective communication with the Shareholder. The Chairman allocates a substantial amount of time to the Group and his role has priority over any other commitments.

The Board has delegated day to day responsibility for the Bank's operations, compliance and performance to the Group Chief Executive to ensure that the strategic direction agreed by the Board is followed. The Group Chief Executive in turn delegates the implementation of operational decisions to the Bank's executive management team. A formal charter governing the operation of the Bank's executive management team which details their duties and responsibilities was adopted during 2010.

Under the direction and management of the Group Chief Executive, the executive management team is responsible for the management of the group's human, financial and physical resources having responsibility for:

- Formulating and executing plans for the achievement of the Bank's objectives and strategy as are prescribed by the Board from time to time;
- Providing such assurance to the Board and Board Committees as the Board in the discharge of its responsibilities may seek regarding compliance by the Bank with all relevant laws and regulations, managing the risks associated with the business activities of the Bank and financing the Bank; and
- Acting in accordance with the interests of the Bank and the business connected with it, taking into consideration the interests of all the stakeholders of the Bank.

Independence of the Board

The Board has carried out its annual evaluation of the independence of each of its Non-executive Directors, taking into account the relevant provisions of the Code, namely whether the Directors are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement. The Board is satisfied that each of the current Non-executive Directors fulfilled the independence provisions of the Code.

Appointments to the Board

The Board appoints new Directors on the recommendation of the Nomination and Governance Committee. Directors are appointed initially for three years and, subject to satisfactory performance, may be re-appointed for additional terms.

Following nationalisation, the Minister has additional powers to appoint Directors of the Bank under the Anglo Irish Bank Corporation Act, 2009.

Dr. Noel Cawley, Aidan Eames and Gary Kennedy were appointed to the Board on 24 May 2010 as independent Non-executive Directors, following consultation with the Minister for Finance.

Alan Dukes was appointed as Non-executive Chairman of the Board on 14 June 2010, following Donal O'Connor's retirement from the position. The Board assessed the requirements for the role having regard to the importance of maintaining continuity within the Board and, following consultation with the Minister, unanimously agreed that Alan Dukes was the best candidate. Accordingly, the role was not openly advertised and external search consultants were not used in the appointment process, nor in the Non-executive Director appointments during 2010. Alan Dukes was considered to meet the relevant independence criteria on appointment.

A copy of the standard terms and conditions of appointment of Non-executive Directors can be inspected during normal business hours by contacting the Company Secretary.

Re-election

Following an amendment to the Articles of Association by shareholder resolution, the requirement to retire by rotation has been dispensed with. Directors are appointed initially for three years and, subject to satisfactory performance, may be re-appointed for additional terms.

Induction

On joining the Board, new Directors receive an induction presentation, which explains their responsibilities as a Director and provides an overview of the Group and its business. Each Director receives an information pack which provides details of the disclosures that each is obliged to make to the Bank in order to comply with applicable laws, regulations and best practice corporate governance standards. The programme also includes briefing sessions with senior management from each of the main business units.

Performance review

A formal performance evaluation of the Board, its Committees, individual Directors and the Chairman is completed annually. The 2010 evaluations took the form of detailed questionnaires, which were completed by each Director, complemented by individual interviews as considered appropriate. The Board reviewed the results of the evaluations and has agreed action plans to progress improvements in 2011. All Directors were considered to have discharged their respective duties and responsibilities effectively and have committed an appropriate amount of time to fulfil their duties as a Board member.

With regard to individual performance, the Chairman met with each of the Directors to discuss their performance. The annual performance evaluation of the Chairman was led by the Senior Independent Director, in private consultation with each of the Directors and the results were shared with the Chairman and the Board as a whole.

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

Corporate governance statement continued

Board Committees

In accordance with the provisions of the Code, the Board has established four Committees operating under their own specific terms of reference. These terms of reference, setting out the roles and responsibilities of each Committee, are available on request through the Company Secretary and on the Bank's website.

The minutes of all meetings of Board Committees are circulated to all Directors for information with their board papers and are formally noted by the Board.

There were intervals during 2010 when the requisite number of members for the Committees was below the minimum requirement as set out in the Code. This issue was resolved in June 2010 following the appointment of the additional Directors.

A description of each of these Committees is given below.

Remuneration Committee

Members at 31 December 2010:

Dr. Noel Cawley (Chairman), Alan Dukes, Aidan Eames, Maurice Keane and Gary Kennedy

The Remuneration Committee is responsible for:

- Ensuring that the overall reward philosophy and remuneration governance framework of the Bank and its companies (the 'Group') are consistent with the achievement of the Group's strategic objectives, having regard also to promoting effective risk management within the Group;
- Considering and making recommendations to the Board in respect of remuneration policy for the Chairman, Directors, Group Chief Executive, Company Secretary, senior management and other individuals whose remuneration may exceed defined minimum thresholds across the Group; and
- Ensuring that remuneration policies and practices are operated in accordance with any applicable legal and regulatory requirements (including any requirements which the Central Bank of Ireland may issue).

The Committee's report on behalf of the Board on Directors' remuneration and interests is set out in note 54 to the financial statements.

Audit Committee

Members at 31 December 2010:

Gary Kennedy (Chairman), Dr. Noel Cawley, Aidan Eames and Maurice Keane.

The Audit Committee is responsible for:

- Reviewing the appropriateness and completeness of the system of internal control, reviewing the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems and thereby maintains an effective overall system of internal control (in overseeing these matters, the Committee has regard to the activities of the Risk and Compliance Committee);
- Monitoring the integrity of the financial statements, including compliance with applicable legislative, regulatory and accounting standards;

- Monitoring the activities of Group Internal Audit, receiving regular reports regarding their activities and recommendations;
- Overseeing all matters relating to the relationship between the Group and the External Auditors; and
- Reviewing financial information which, to the knowledge of the Committee, shall be communicated to the public.

Within this remit, the Audit Committee reviews the Group's annual and interim 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 is responsible for making recommendations to the Board regarding the appointment and removal of the External Auditors.

The Group Internal Auditor and External Auditors have unrestricted access to the Committee. The Committee meets privately with both the External Auditors and the Group Internal Auditor at least once a year without management present.

There is a process in place for the Audit Committee to review the nature and extent of all non-audit services provided by the External Auditor and, if appropriate, to approve such services and the related fees, with a formal non-audit services policy having been adopted.

The Audit Committee, on behalf of the Board, reviews annually the Group's speak-up policy which covers all staff and is in accordance with best practice for whistle-blowing arrangements. The policy encourages staff to raise concerns in a confidential manner, detailing the senior contacts within the group to whom such concerns may be addressed, including the Chairman of the Audit Committee and the Chairman of the Board. Confidential advice is available from Public Concern at Work, an independent, not-for-profit organisation, through a free phone number.

At the invitation of the Committee, there are a number of additional standing attendees at each meeting including the Group Chief Executive, Chief Financial Officer, Chief Risk Officer, the Head of Group Internal Audit and the External Auditors to aid the Committee's collective discussion on matters under its remit.

The Board has determined that Gary Kennedy, as a result of his accountancy background and career experience, has 'recent and relevant financial experience' as recommended by the Code. The Board is further of the view that the collective skills and financial experience of the Committee members enable them to discharge their responsibilities as a group.

Corporate governance statement continued

Risk and Compliance Committee

Members at 31 December 2010:

Maurice Keane (Chairman), Dr. Noel Cawley, Aidan Eames and Gary Kennedy.

Mike Aynsley was appointed as a member of the Committee with effect from 25 January 2011.

The Risk and Compliance Committee is responsible for:

- Review and oversight of the risk and compliance profile of the Group within the context of the Board-determined risk appetite;
- Making recommendations to the Board concerning the Group's risk appetite, along with all material policies relating to the Group's risk profile and in respect of any particular risk or compliance management practices of concern to the Committee;
- Oversight of, and advice to the Board on, current and prospective risk exposures of the Group and future risk strategy;
- Monitoring risk elements of proposed strategic transactions involving acquisitions or disposals and accordingly advising the Board to ensure thorough due diligence is undertaken for such transactions and their impact on the risk profile assessed;
- Commissioning and reviewing reports on key risk issues;
- Review and oversight of management's plans for mitigation of the material risks faced by the various business units of the Group; and
- Oversight of the implementation and review of risk management and internal compliance and control systems throughout the Group.

The Group Risk Management function provides a risk report to each meeting of the Committee which addresses the material risk types to which the Group has exposure including credit, liquidity and market risk. The Group Compliance function also provides a report to the Committee's meetings which addresses all material compliance matters.

At the invitation of the Committee, there are a number of additional standing attendees at each meeting including the Chief Financial Officer, Chief Risk Officer and the Head of Group Internal Audit.

Nomination and Governance Committee

Members at 31 December 2010:

Aidan Eames (Chairman), Mike Aynsley, Dr. Noel Cawley, Alan Dukes, Maurice Keane and Gary Kennedy

The Nomination and Governance Committee is responsible for:

- Leading the process for appointments and renewals to the Board and Board sub-committees and reviewing senior management succession plans, making recommendations to the Board, as appropriate;
- Overseeing the process for appointments and renewals of the boards of subsidiary entities, including regulated subsidiaries; and

- Monitoring developments in corporate governance, assessing the implications for the Bank, overseeing adherence by the Bank and its group of companies to applicable governance requirements and advising the Board accordingly.

The Committee is responsible for monitoring developments in Corporate Governance, overseeing the Group's compliance to its corporate governance requirements and advising the Board accordingly.

Internal control

The Directors acknowledge their overall responsibility for the Group's system of internal control and for reviewing its effectiveness, including having an appropriate process in place for the preparation of Group Accounts. The Board has delegated to the executive management team the planning and implementation of the system of internal control within an appropriate established framework which applies across the Group. 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.

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;
- Divisional managers who, in conjunction with the Group Risk Management and the Group Compliance functions, have responsibility for ensuring that risks are identified, assessed and managed throughout the Group. The Group Risk Management function together with the Group Asset and Liability Committee provides support to the Audit Committee and the Risk and Compliance Committee;
- An independent Group Finance function, under the leadership of the Chief Financial Officer, which has responsibility for managing the process in respect of the preparation of group accounts, having regard to applicable regulatory, legislative and financial accounting requirements;
- 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;
- A set of policies and guidelines relating to credit risk management, asset and liability management (including interest, currency, and liquidity and funding risk), compliance, operational risk management, capital expenditure, computer security and business continuity planning; and
- A Code of Conduct setting out the standards expected of all Directors, officers and employees of the Group.

Corporate governance statement continued

Procedures for monitoring the effectiveness of internal controls include internal audit reports which are considered by the Audit Committee, reporting by Group Risk Management and Group Compliance to the Risk and Compliance Committee meetings, an overview report provided by the Head of Internal Audit to each committee and an annual assessment by the Board of the effectiveness of internal controls.

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. During the year, resources from Group Internal Audit, with the support of the Audit Committee, were diverted to carry out investigations and complete specific reviews both for the Board and in relation to a number of ongoing regulatory investigations. The internal control systems are subject to regulatory supervision by the Central Bank of Ireland and overseas regulators.

The Board confirms that there is a framework in place (which is described in note 51) for identifying, evaluating and managing the significant risks faced by the Group including compliance with relevant law and regulation. This framework is regularly reviewed and is in accordance with the Financial Reporting Council Revised Guidance on Internal Control ('the Turnbull guidance').

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls for the year ended 31 December 2010 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.

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.

Annual General Meeting

Following the nationalisation of the Bank and the transfer of all shares to the Minister the provisions of the Code relating to shareholder relations and conduct at the Annual General Meeting are no longer applicable.

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

Attendance at scheduled and unscheduled meetings during the year ended 31 December 2010.

Name	Board - Scheduled		Board - Unscheduled		Audit		Remuneration		Risk and Compliance		Nomination and Governance	
	A*	B*	A*	B*	A*	B*	A*	B*	A*	B*	A*	B*
Donal O'Connor (1)	5	5	10	10	-	-	-	-	-	-	5	5
Alan Dukes (2)	10	10	29	28	7	7	8	8	5	5	7	7
Mike Aynsley	10	10	29	28	-	-	-	-	-	-	7	7
Maurice Keane	10	10	29	22	12	12	8	7	10	10	7	7
Dr. Noel Cawley (3)	6	5	21	19	5	5	3	3	5	5	2	2
Aidan Eames (4)	6	6	21	19	5	5	3	3	5	5	2	2
Gary Kennedy (5)	6	6	21	19	5	5	3	3	5	5	2	2

* Column A indicates the number of meetings held during the period the Director was a member of the Board or Committee and was eligible to attend. Column B indicates the number of meetings attended.

- (1) Donal O'Connor retired as Non-executive Chairman and Director on 14 June 2010.
- (2) Alan Dukes was appointed as Non-executive Chairman on 14 June 2010. He resigned as a member of the Audit and Risk and Compliance Committees on 14 June 2010, following his appointment as Chairman of the Board. He also resigned as Chairman of the Remuneration and Nomination and Governance Committees with effect from 11 June 2010.
- (3) Dr. Noel Cawley was appointed to the Audit, Nomination and Governance, Remuneration and Risk & Compliance Committees on 11 June 2010. He was appointed Chairman of the Remuneration Committee on 11 June 2010.
- (4) Aidan Eames was appointed to the Audit, Nomination and Governance, Remuneration and Risk & Compliance Committees on 11 June 2010. He was appointed Chairman of the Nomination and Governance Committee on 11 June 2010.
- (5) Gary Kennedy was appointed to the Audit, Nomination and Governance, Remuneration and Risk & Compliance Committees on 11 June 2010. He was appointed Chairman of the Audit Committee on 11 June 2010.