

# Corporate Governance Statement

The Court of Directors is accountable to stockholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the interests of stockholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

The Court's role is to provide leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Court sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance.

In response to the stressed position in which the Group now finds itself, the Court initiated a fundamental review of risk governance within the Group in early 2009, supported by independent risk consultants, Oliver Wyman. All of the recommendations of the review group have either been implemented, or are in the process of implementation. Increased Court oversight of risk has been enabled through the establishment of the Court Risk Committee, whose membership is drawn exclusively from non-executive Directors, to monitor risks arising in the Group. The Court Risk Committee also assists the Court in discharging its responsibilities of ensuring that risks are properly identified, reported and assessed, properly controlled, and that strategy is informed by and aligned with the Group's risk appetite.

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements and the Combined Code on Corporate Governance (the "Combined Code"), a copy of which is available on [www.frc.org.uk](http://www.frc.org.uk). The Directors believe that the Group meets this objective and expect it to continue to do so. Specifically, the Group has complied with the provisions of the Combined Code throughout the nine month period ended 31 December 2009, except in the case of Tom Considine's membership of the Group Audit Committee and Joe Walsh's membership of the Group Remuneration Committee – see comments on independence on page 132.

## The Court of Directors

At 31 December 2009, the Court consisted of 15 Directors, 11 of whom were Non-Executive Directors. It held 8 scheduled and 7 unscheduled meetings during the nine month period ending on 31 December 2009. Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to discharge fully their duties. The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal Court process.

The Court has the following schedule of matters specifically reserved for its decision:

- the determination of strategy;
- overseeing the management of the business, including control systems and risk management;
- approving material acquisitions, disposals and investment decisions;
- overseeing corporate governance and succession planning;
- approving guarantees entered into by the Group, other than in the normal course of business; and
- approving changes in Group pension schemes.

Management is responsible for the execution of agreed strategy and for all operational matters.

Details of the number of scheduled meetings of the Court and its Committees and attendance by individual Directors are set out on pages 136 and 137. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Court and are available on the Bank's website ([www.bankofireland.com](http://www.bankofireland.com)) or by request to the Group Secretary. The Non-Executive Directors meet at least once annually without the Executive Directors present.

The Bank has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors; however this insurance cover does not extend to fraudulent or dishonest behaviour.

Patrick J Molloy was co-opted to the Court on 10 June 2009, Tom Considine and Joe Walsh were co-opted as non-executive Directors, with effect from 1 January 2009, under the terms of the Government Guarantee scheme.

Patrick O'Sullivan was elected to the Court at the Annual General Court on 3 July 2009. All of the other Directors who stood for re-election were re-elected at that Annual General Court.

### **Governor and Group Chief Executive**

The respective roles of the Governor, who is Chairman of the Court, and the Group Chief Executive are set out in writing and have been agreed by the Court.

The Governor oversees the operation and effectiveness of the Court of Directors. He also ensures that there is effective communication with stockholders and promotes compliance with the highest standards of corporate governance. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment.

The Group Chief Executive is responsible for execution of agreed strategy and holds delegated authority from the Court for the day to day management of the business.

### **Board Balance and Independence**

The Court has considered the principles relating to independence contained in the Combined Code. The Court has determined that the Governor, Deputy Governor and each current Non-Executive Director, with the exception of Tom Considine and Joe Walsh, is independent within the meaning of the Combined Code. Tom Considine and Joe Walsh were nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and are not required to stand for election or regular re-election by stockholders. They are not, therefore, considered independent by reference to the terms of the Combined Code. The Court values and has benefited from their judgement and the quality of their contribution to the deliberations of the Court and its Committees. Each of the Governor, Deputy Governor and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity and all are considered independent of management in accordance with the criteria set out in the NYSE Corporate Governance Standards.

### **Appointments to the Court**

The Group Nomination and Governance Committee is chaired by the Governor and its composition is fully compliant with the Combined Code. The Committee is responsible for leading the process for succession to the position of Group Chief Executive and for Court and overseeing the selection process for key subsidiary Board non-executive appointments and renewals.

The Committee regularly reviews succession plans for the Court in the context of the Group's strategy and the skills, knowledge and experience of current Directors and makes appropriate recommendations to the Court. Prior to the appointment of any Director, the Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role. The recruitment process for Non Executive Directors is supported by an experienced third party professional search firm which develops an appropriate pool of candidates and provides a level of independent assessment to the process. The Group then works with that firm to shortlist candidates, conduct interviews / meetings and complete comprehensive due diligence.

All newly appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointments and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-Executive Directors can be inspected during normal business hours by contacting the Group Secretary.

In addition, the Committee, with the support of the Group Secretary, monitors developments in corporate governance, assesses the implications of such developments for the Group and advises the Court accordingly. It is also charged with overseeing the Group's Corporate Responsibility Programme.

### **Information and Professional Development**

On appointment, all Non-Executive Directors receive comprehensive briefing documents designed to familiarise them with the Group's operations, management and governance structures; these include the functioning of the Court and the role of the key committees. In addition, new Directors undertake an induction programme, including visits to Group businesses and briefings with senior management. On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-Executive Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Court on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

**Performance Evaluation**

Each Committee of the Court reviews its performance and discusses its conclusions with the Court. The Court evaluates its own performance annually and also reviews the conclusions of the Group Nomination and Governance Committee in relation to the performance of individual Directors standing for election or re-election. The objective of all these evaluations is to identify any scope for improvement and, in the case of the individual evaluations, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

The Court and individual Director performance evaluation process involves completion of questionnaires by Directors, one to one discussions between the Governor and each Director and presentation of the overall findings to the Court for its consideration and action as required.

As part of the overall performance evaluation process, the Senior Independent Director meets annually with each of the Directors, without the Governor being present, to appraise the Governor's performance. They may also meet on such other occasions as are deemed appropriate.

**Re-Election of Directors**

At the forthcoming Annual General Court all Directors, with the exception of Tom Considine and Joe Walsh are retiring. Declan McCourt and Terry Neill, who will each have completed two terms this year, are to retire at the end of the AGC. Other than the four Directors mentioned above, all Directors are offering themselves for re-election. Following formal performance evaluation, the Court has concluded that each Director makes a valued contribution and continues to demonstrate commitment to the role. The Court recommends that stockholders vote in favour of their re-election in each case.

Non-Executive Directors are normally appointed for an initial three year term, with an expectation of a further term of three years assuming satisfactory performance. A Non Executive Director is not normally expected to serve any longer than two terms, except where a clear benefit is expected to accrue to the Group, as determined following a particularly rigorous assessment of the skills and experience available to the Court. In the unlikely event that a Non-Executive Director is invited to serve longer than nine years, he / she is then subject to annual re-election by stockholders. In the case of Tom Considine and Joe Walsh, the requirement to stand for election and regular re-election is dispensed with for as long as the Government's Preference Share investment in the Bank remains in place.

**Remuneration**

The Remuneration Report, incorporating the responsibilities of the Group Remuneration Committee, is set out on pages 119 to 130.

A statement confirming that remuneration consultants appointed by the Group Remuneration Committee have no other remuneration consultancy connections with the Group is available on the Group's website ([www.bankofireland.com](http://www.bankofireland.com)) or by request to the Group Secretary. During the financial period the remuneration consultants provided corporate recovery services, regulatory and risk focused advisory services and IT consulting services. The Group's long term incentive schemes have been approved by stockholders.

**Directors' Loans**

The amount of outstanding loans to Directors is set out on page 250. A formal process is in place for approval and reporting of loans to Directors and their connected persons. The process is designed to ensure that no departure from existing group credit policy occurs without the Chairman of the Group Audit Committee being informed.

**Accountability and Audit**

The Report of the Directors, including a going concern statement, is set out on pages 111 to 113. The Corporate Governance Statement forms part of the Report of the Directors.

**Internal Controls**

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness.

Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Court has obligations as a non-US registrant under US securities laws and regulations, including the requirement to comply, where applicable, with the Sarbanes-Oxley Act of 2002 (SOx). The Group has put in place a comprehensive framework to document and test its internal control structures and procedures in line with the requirements of Section 404 of SOx, which requires, among other things,

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certification by management regarding the effectiveness of internal controls over financial reporting. The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment;
- Court and Management Committees with responsibility for core policy areas;
- a comprehensive set of policies and procedures relating to financial controls, asset and liability management (including interest rate, foreign currency and liquidity risk), operational risk and credit risk management (further details are given in the Risk Management section on pages 60 to 108).
- a Code of Conduct setting out the standards of behaviour expected of all Directors, officers and employees. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial and non-financial reporting; and
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon.

These controls, which are embedded within the operations of the Group, are reviewed by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The Directors confirm that the Court, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the nine months ending 31 December 2009. This review involved consideration of the reports of internal audit and the risk management functions, (including operational risk, regulatory risk and compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, the reports of the external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Group Audit Committee. After each meeting of the Group Audit Committee, its Chairman reports to the Court on all significant issues considered by the Committee and the minutes of meetings are circulated to all members of the Court.

Following the end of the nine month financial period to 31 December 2009, the Court reviewed the Group Audit Committee's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control in accordance with the Financial Reporting Council Revised Guidance on Internal Control was in place throughout the period and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various Committees and Group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed.

## Attendance at scheduled meetings of the Court during the period ended 31 December 2009

Name	Court Scheduled		Court Unscheduled		Group Audit Committee Scheduled		Group Audit Committee Unscheduled	
	A	B	A	B	A	B	A	B
Richie Boucher	8	8	7	7	-	-	-	-
Richard Burrows <i>(Retired on 3/7/09)</i>	3	3	1	1	-	-	-	-
Tom Considine <i>(Appointed to CRC 25/8/09)</i>	8	8	7	7	5	5	4	4
Des Crowley	8	7	7	7	-	-	-	-
David Dilger <i>(Retired on 3/7/09)</i>	3	3	1	1	-	-	-	-
Denis Donovan	8	7	7	7	-	-	-	-
Paul Haran	8	8	7	6	5	5	4	4
Dennis Holt <i>(Appointed Deputy Governor and Senior Independent Director 25/8/09. Appointed to N&amp;G 25/8/09. Retired from GAC 25/8/09. Retired from Remuneration Committee 25/8/09).</i>	8	8	7	6	3	3	1	1
Rose Hynes <i>(Appointed to CRC 25/8/09)</i>	8	8	7	7	5	5	4	3
Jerome Kennedy <i>(Appointed to CRC 25/8/09)</i>	8	8	7	6	5	5	4	4
George Magan <i>(Retired on 3/7/09)</i>	3	2	1	1	-	-	-	-
Patrick Molloy <i>(Appointed on 10/6/09. Appointed Governor 3/7/09. Appointed to N&amp;G 3/7/09. Appointed to Remuneration Committee 25/8/09).</i>	6	6	6	6	-	-	-	-
Declan McCourt <i>(Appointed to Remuneration Committee 25/8/09).</i>	8	8	7	7	-	-	-	-
Heather Ann McSharry	8	8	7	7	5	5	4	4
Terry Neill <i>(Appointed to Remuneration Committee 25/8/09. Appointed to CRC 25/8/09).</i>	8	8	7	7	-	-	-	-
John O'Donovan	8	8	7	7	-	-	-	-
Patrick O'Sullivan <i>(Appointed on 3/7/09. Appointed to GAC 25/8/09. Appointed to CRC 25/8/09).</i>	5	5	6	5	2	1	3	3
Joe Walsh	8	8	7	5	-	-	-	-

Column A Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend.

Column B Indicates the number of meetings attended.

Group Nomination & Governance Committee Scheduled		Group Nomination & Governance Committee Unscheduled		Group Remuneration Committee Scheduled		Group Remuneration Committee Unscheduled		Court Risk Committee Scheduled		Court Risk Committee Unscheduled	
A	B	A	B	A	B	A	B	A	B	A	B
-	-	-	-	-	-	-	-	-	-	-	-
1	1	2	2	1	1	2	2	-	-	-	-
-	-	-	-	-	-	-	-	4	4	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1	1	2	2	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1	1	-	-	1	1	2	2	-	-	-	-
-	-	-	-	2	2	2	2	4	4	-	-
-	-	-	-	-	-	-	-	4	4	-	-
1	1	2	1	1	1	2	-	-	-	-	-
1	1	2	2	1	1	-	-	-	-	-	-
2	2	4	4	1	1	-	-	-	-	-	-
2	2	4	4	-	-	-	-	-	-	-	-
2	2	4	3	1	1	-	-	4	4	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4	3	-	-
2	2	4	4	2	2	2	2	-	-	-	-

Column A Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend.

Column B Indicates the number of meetings attended.

### Speak Up Policy

The Group has a Speak Up policy in place for all staff, which is in accordance with international best practice for whistleblowing arrangements and is compliant with the Sarbanes-Oxley Act. The policy encourages staff to raise concerns openly and locally. Where this is not possible or the problem has not been resolved effectively at that level, there are clear alternative senior contacts within the Group to whom the concern may be addressed. Confidential advice is available from Public Concern at Work, an independent, not-for-profit organisation, through a freephone number and a dedicated email address. In the case of concerns regarding financial reporting, fraudulent accounting or irregularities in audit work, these can be passed directly to the Chairman of the Group Audit Committee, whose contact details are available from Public Concern at Work. The Chairman of the Group Audit Committee is a non-executive Director.

### Group Audit Committee

The Group Audit Committee ('GAC') comprises six Non-Executive Directors. The Court has determined that the Committee members' collective skills and recent and relevant financial experience enable them to discharge their responsibilities. In close liaison with the Court Risk Committee, which advises the Court in establishing the Group's risk appetite and setting standards for the Group's risk control framework, the Group Audit Committee reviews the appropriateness and completeness of the system of internal control, reviews 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 system of internal control.

The Group Audit Committee has responsibility for:

- monitoring the integrity of the financial statements;
- assisting the Court in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations including the Sarbanes-Oxley Act in the United States of America;
- overseeing all matters relating to the relationship between the Group and the External Auditors;
- discharging the statutory responsibility of the Bank under Section 42 of The Companies (Auditing and Accounting) Act, 2003 and other statutes or regulations;
- overseeing compliance with the requirements of the Irish Government associated with their support for the Bank of Ireland Group.

It conducts an annual review of the procedures and processes by which non-audit services are provided by the external auditors in order to ensure, among other things, that auditor objectivity and independence are not compromised. In this regard, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be pre-approved by the Committee, which also receives reports on the performance of such services.

### Court Risk Committee

The Court Risk Committee ('CRC') is comprised of non-executive Directors and was established in response to a recommendation from a Court-sponsored review of risk governance. Under its Terms of Reference the CRC is required to monitor risk governance and assist the Court in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite. To ensure co-ordination with the work of the Group Audit Committee (GAC), the chairman of GAC is a member of the CRC and the chairman of the CRC is a member of the GAC. Membership is reviewed annually by the Group Nomination and Governance Committee. The CRC meets at least quarterly; it met four times in 2009, and is scheduled to meet six times in 2010.

The Court Risk Report is produced by the Chief Credit and Market Risk Officer and covers material Risk Types to which the Group has exposure. The Court Risk Report is presented quarterly to GRPC, the CRC and the Court of Directors. In addition, monthly updates on credit, liquidity and capital risks are submitted to the GRPC and the Court of Directors. The Group's material risk types and group risk reporting are outlined on pages 69 and 70, respectively.

The primary responsibilities of the CRC are to assist the Court in discharging its responsibilities on overseeing risk management in the Group. To that end the CRC develops views on the key risks facing the Group, including determining if they are appropriately identified, reported, assessed and controlled. In discharging these responsibilities the CRC reviews the recommendations of the GRPC to the Court on key risk documents including, the Group Risk Framework, Risk Appetite, Risk Strategy and key documents on liquidity, credit, capital and funding.

On an annual basis, the CRC reviews the Group's Risk Management Framework which is approved by the Court. The Group's Risk Management Framework defines risk management processes for material risk types on the basis of, among other things, a comprehensive risk identification and assessment process. Where this exercise highlights risks or areas not effectively covered by existing risk management and governance processes, appropriate changes are proposed to the Court.

The CRC also discusses results of the Group's stress testing programme. These results are used to inform Risk Appetite as well as capital targets and buffers as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP). The Group's Stress Testing Process is described on page 70.

## Court Appointed Executive Committees

**Group Risk Policy Committee (GRPC)** – Within the parameters of Court approved high level policies, frameworks and principles, the GRPC approves risk policies and actions and makes recommendations to the Court on risk issues where the Court has reserved authority. In addition the committee ensures that risks are properly identified and assessed; that risks are properly controlled and managed; and that strategy is informed by and aligned with the Group's risk appetite.

**Group Investment Committee** – The Group Investment Committee is responsible for evaluating all material investment / divestment / capital expenditure proposals, determining those within its authority and recommending those outside its authority to the Court for its approval. It is also responsible for monitoring the implementation of such proposals and ensuring satisfactory delivery of expected benefits.

Membership of the above committees at 31 December 2009 was as follows:

### Group Risk Policy Committee

Vincent Mulvey (Chairman)  
 Richie Boucher\*  
 Sean Casey  
 Des Crowley\*  
 Denis Donovan\*  
 Liam McLoughlin  
 Ronan Murphy  
 Declan Murray  
 Helen Nolan  
 John O' Donovan\*  
 Mick Sweeney

### Group Investment Committee

Richie Boucher \* (Chairman)  
 Christine Brennan  
 Des Crowley \*  
 Denis Donovan \*  
 Liam McLoughlin  
 Vincent Mulvey  
 Ronan Murphy  
 Helen Nolan  
 John O'Donovan\*

\* Court member

## Relations with Stockholders

Communication with stockholders is given high priority. The Group seeks to provide through its Annual Report a balanced, clear assessment of the Group's performance and prospects. It also uses its website ([www.bankofireland.com](http://www.bankofireland.com)) to provide investors with the full text of the Annual Report and Interim Statement, the Form 20-F (which is filed annually with the US Securities and Exchange Commission) and copies of presentations to analysts and investors as they are made, so that information is available to all stockholders. Annual and interim results presentations are webcast live so that all stockholders can receive the same information at the same time. Additionally, the Investor Relations section on the Group's website is updated with all Stock Exchange releases as they are made by the Group. The outcome of every general meeting of the Group, including detailed voting results, is published on the Group's website as well as being released to all Stock Exchanges where the Group's securities are traded.

The Group has an active and well developed Investor Relations programme, which involves regular meetings by the Group Chief Executive, members of his senior executive team and the Head of Group Investor Relations with the Group's principal institutional stockholders and with financial analysts and brokers. The Directors are kept informed on investor issues through regular reports from Group Investor Relations on the outcome of these meetings. All meetings with stockholders are conducted in such a way as to ensure that price sensitive information is not divulged. In addition, all Directors are encouraged and facilitated to hear the views of investors and analysts at first hand through their participation in conference calls following major announcements. The Court concluded that the objective of keeping Directors fully informed on stockholder views was achieved in the nine month period ended 31 December 2009.

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The Governor and / or the Senior Independent Director are available to stockholders if they have concerns that cannot be resolved through the normal channels.

The Group's policy is to make constructive use of the Annual General Court and all stockholders are encouraged to participate.

Stockholders are given the opportunity to ask questions at the Annual General Court. The notice of the Annual General Court is issued at least 20 working days before the meeting, in line with the requirements of the Combined Code. Following the implementation in Ireland of the EU Shareholders' Rights Directive, the Bye-Laws have been amended to allow an Extraordinary General Court, other than an Extraordinary General Court called for the passing of a special resolution, to be convened by giving 14 days notice of the meeting. At Annual General Courts separate resolutions are proposed on each substantially separate issue and voting is conducted by way of poll. The votes for, against, and abstaining, on each resolution, including proxies, are posted on the Group's website as soon as possible afterwards and released to the Stock Exchange. It is usual for all Directors to attend all General Courts to meet Stockholders and for the Chairs of the Group Audit, Nomination and Governance and Remuneration Committees to be available to answer relevant questions. In addition a 'Help Desk' facility is available at all General Courts to assist stockholders to resolve any specific queries that they may have.

### New York Stock Exchange (NYSE) Corporate Governance Requirements

All non US companies listed on the NYSE are required to disclose any significant differences between their corporate governance practices and the requirements of the NYSE applicable to US companies.

As a company formed by Charter in Ireland, listed on the Irish and London Stock Exchanges and with an ADR listing on the NYSE, the Group's corporate governance practices reflect Irish law, the Listing Rules of both the Irish Stock Exchange and the UK Listing Authority and the Combined Code. The Group believes there are no significant differences between its corporate governance practices and the requirements of the NYSE.