2020

Bank of Ireland Group plc
Strategic Report

Bank of Ireland

'2020 was an exceptional year with a myriad of challenges for people, communities where we operate, and for all businesses, including banks. At Bank of Ireland, from the start of the COVID-19 crisis, we quickly focused our resources and efforts on protecting and supporting our customers, colleagues and communities. The investment we've made in recent years in transforming our culture, systems and business model underpinned our ability to quickly adapt to the impacts of COVID-19.'

Francesca McDonagh
Group Chief Executive

Inside this report

View this report online
This report and other information relating to Bank of Ireland is available at: ***www.bankofireland.com***

Strategic Report

2020 key performance highlights

Financial Performance

Loss before tax
€760m
(2019: €645m profit)

Underlying[1] loss before tax
€374m
(2019: €758m profit)

- Return to profitability in H2 2020.
- Net interest margin of 2.00% (2019: 2.14%).
- 6th straight reporting period of reductions; costs reduced by further 4% vs. 2019.
- Irish mortgage market; share increased 2% to 25.5% in 2020.
- Total operating income[2] reduced by 8% versus 2019; lower business income and valuation item movements.

Asset Quality

Impairment charge
€1.1bn
(2019: €215m)

- Net credit impairment charge of €1.1bn (2019: €0.2bn), of which c.60% relates to performing loans.
- NPE ratio increased from 4.4% in 2019 to 5.7%; stable in H2.
- Payment break outcomes more positive than expected; 94% expired and only c.4% have migrated into new arrears status[3].

Transformation

Reduction in underlying operating expenses[2]
4%/€65m
(2019: <4%/€67m)

- Achieved 2021 cost target of c.€1.7bn[4] one year early.
- New cost target of €1.5bn by 2023.
- Further progress in the UK; Northern Ireland strategic review complete.
- Digital progress supports new branch strategy; c.33% of branches to close

Capital

Regulatory CET1 ratio
14.9%
(2019: 15.0%)

Fully loaded CET1 ratio
13.4%
(2019: 13.8%)

- Strong capital position; regulatory CET1 ratio 14.9% and c.510bps headroom to minimum regulatory requirements; fully loaded CET1 ratio 13.4%
- Pre-impairment organic capital generation of 80bps in H2 vs 45bps in H1
- Successfully completed two Additional Tier 1 (AT1) transactions, totalling €975 million.

67%
employee engagement score *(increase of 5% since Q4 2019)*

59:41
male / female appointments to management and leadership positions

77%
reduction in carbon emissions intensity *(on 2011 baseline)*

c.€10m
invested in learning and development for colleagues

10k
secondary school pupils availed of 'Money Smarts', a free financial education programme

€2bn
Sustainable Finance Fund and first bank in Ireland to introduce a green mortgage

Further information on financial measures referred to in our 2020 key performance highlights is found in Alternative performance measures on page 373.

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items of €386 million that the Group believes obscure the underlying performance trends in the business. For further details on the Group's non-core items see page 52.*
[2] *Operating income net of insurance claims.*
[3] *Balances now categorised as arrears not in arrears prior to payment breaks; as at 12 February 2021.*
[4] *Underlying costs include core transformation investment charges, exclude non-core items of €424 million, levies and regulatory charges of €125 million and impairment of intangible assets and goodwill of €12 million. Including these items total costs were €216 million or 10% higher than 2019. The calculation of which is set out on page 379.*

Chairman's review

Our purpose, to enable our customers, colleagues and communities to thrive, was a clear North Star for the Group in responding to COVID-19. The banking system supported the economy during the pandemic, and will continue to be a key player in the recovery.

Patrick Kennedy *Chairman*

Introduction

The impact of COVID-19 on our society has been unprecedented. On behalf of the Board of Bank of Ireland, I would like to extend our sympathies to all who have been affected by the pandemic. I would also like to thank Francesca and her leadership team, and all of our colleagues across the Group, for their ongoing commitment to our customers over a uniquely challenging year.

A path to post-COVID-19 normality is now becoming visible; however, the consequences of the pandemic will endure for some considerable time for us all, including for Bank of Ireland. Other external challenges include the interest rate environment, and continued uncertainties relating to the UK's decision to leave the European Union.

That said, as the leading lender to the fastest-growing economy in Europe last year, the Group benefits from an extensive customer base and franchise in a country with one of the youngest, fastest-growing populations in the developed world.

Strategy

Good progress was made in 2020 on advancing the Group's strategy. We maintained strong momentum on our key priorities and accelerated certain initiatives in response to changing customer behaviours, needs and expectations.

Our customers availed of a wide range of new digital enhancements during the year. We hit our 2018 Investor Day target to reduce our cost[1] base to c.€1.7 billion one year early and we now target reducing our cost base to €1.5 billion by 2023. We continued to progress our strategic priority to improve returns in our UK business.

In Great Britain, we will have a more focused, smaller, but more profitable business. In Northern Ireland, we will optimise our physical footprint while also investing in technology to support our business. We will also relocate our UK Headquarters from London to Belfast, reinforcing our commitment to Northern Ireland, where Bank of Ireland has had a presence since 1825.

Customer preferences continue to evolve, and our significant transformation investment over recent years has improved our technology infrastructure, digital offering and customer engagement. At the same time, we have seen a sustained decline in the use of our branches. Our customers tell us that they expect visits to branches to reduce further as they move away from cash towards digital and contactless payments. We are adapting to these clear changes in behaviour as we work towards a long-term, sustainable and modern banking system.

Accordingly, following an extensive review of our network, we have taken the decision to close 103 branches in the Republic of Ireland and Northern Ireland. We will continue to operate 182 branches across the island of Ireland. The branches will be an integral part of the Group's strategy of blending physical and digital services to meet our customers' evolving needs.

Capital and Regulation

The resilience of the Bank's business model and balance sheet was well evidenced in 2020. Despite the unprecedented impact of the pandemic, the Group ended the year with a strong capital position. This is after taking a prudent and comprehensive view of the

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*

Related pages

CEO review (page 8)
Responsible & sustainable business (page 20)
Risk management (page 34)

impact of COVID-19 on our loan book, as well as continuing to invest in the Group's transformation.

We also benefitted from relief provided by our regulators as they accelerated implementation of measures which resulted in lowering risk weightings for our SME loan book, and changing the capital treatment of our software assets. This was one of a number of supportive regulatory changes following the onset of the pandemic. Countercyclical buffers were set to zero in Ireland and the UK; the ECB also announced an acceleration of changes to the composition of banks' Pillar 2 Requirements; and the introduction of a Systemic Risk Buffer in Ireland was deferred. Collectively, these measures have bolstered the strong headroom the Group has over its minimum regulatory capital requirements, and we acknowledge the regulators' supportive actions.

In relation to capital requirements, we believe it important for institutions to be able to plan over a medium-to-long term cycle. We encourage as much visibility and stability as possible from our regulators on this matter, as is the case in many other regulated sectors. This is important for potential future providers of capital to the sector.

Remuneration

Certain participants in the Irish banking sector remain at a competitive disadvantage due to the remuneration restrictions that apply. These restrictions are far reaching, and prohibit the Group from approaching remuneration in a similar way to other corporates – both banking and non-banking – with whom we compete for talent. Meanwhile, the substantial increase in the presence of international financial services firms in Ireland has led to greater intensity in competition for talent in a variety of areas, including key prudential functions. The restrictions are a concern for investors, as they seek assurance that the Group can attract and retain talent and that management is appropriately incentivised to deliver sustainable returns.

The Irish banking system received extraordinary support during the financial crisis of a decade ago, for which we remain very grateful. Bank of Ireland is unique amongst Irish banks in being the only institution to have fully repaid the Irish taxpayer, which we did in 2013; the State is now showing a sizeable profit on its investment in the Group. Having repaid the taxpayer in full, Bank of Ireland's view is that it should now be permitted to develop a more normalised remuneration approach, aligned to European Banking Authority Guidelines, which have been significantly extended to be much stricter than what operated in the past, with a much clearer emphasis on risk management and sustainability.

Purpose and Culture

Our purpose, to enable our customers, colleagues and communities to thrive, was a clear North Star for the Group in responding to COVID-19. The banking system supported the economy during the pandemic, and will continue to be a key player in the recovery.

To achieve our purpose, an appropriate corporate culture must be embedded across the organisation. We have adapted our culture very significantly over the last three years, and there has been further improvement in 2020 in our engagement and cultural embedding scores, assessed through staff surveys with very high participation rates. In cultural embedding, Bank of Ireland's score surpassed the global average for financial services for the first time in 2020.

Crises provide a true test of an organisation's culture; under pressure, we revert to our default behaviours. The speed, agility and customer focus with which colleagues responded to COVID-19 provided real-life evidence of the changes in Bank of Ireland in recent years.

Responsible and Sustainable Business

An effective and transparent Responsible and Sustainable Business (RSB) strategy is a fundamental expectation of all stakeholders, including investors, customers and colleagues. The Group fully endorses this expectation.

Following its commitment to the UN Principles for Responsible Banking in 2019, the Group has made good progress on its RSB agenda during 2020. Amongst other things, we undertook an exercise to understand the impact the Group's products and services have on the environment and society and we engaged with a broad range of stakeholders to understand their priorities. This has informed the development of our new RSB strategy, overseen by the Board's Nominations, Governance and Responsible Business Committee. Our RSB strategy is detailed from page 20 and sets out the Group's overarching approach to this critical area.

Board

As COVID-19 became a reality in early March, the Board moved to holding two meetings every week; this heightened level of engagement continued for a number of months. In total, the Board met 31 times during the year, and 84 times including all Committee meetings.

The Board's initial focus was on ensuring the health and safety of our colleagues and customers, the continuity of Group operations, and the availability and reliability of service to our customers. The Board also dedicated significant time to:

- our strategy, including how COVID-19 would impact it;
- supports required by customers facing financial distress as a consequence of the pandemic;
- the potential financial and capital impact of COVID-19 on the Group;
- the role of the Group and the banking industry generally in supporting the Irish economy.

There were a number of changes to the Board in 2020. Patrick Haren and Patrick Mulvihill retired at the end of the year, having each served nine years. They both made significant contributions to the Group, bringing experience, insight, rigour and exceptional commitment to their roles, and leave with our gratitude and very best wishes. Patrick Haren was succeeded as Deputy Chairman and Senior Independent Director by Richard Goulding, who has served as an independent Non-Executive Director since 2017. Patrick Mulvihill was succeeded as Chair of the Group Audit Committee by Evelyn Bourke.

In November, Giles Andrews joined the Board. As a highly respected FinTech pioneer, Giles brings extensive experience in financial technology and technology transformation, as well as strong investment, lending and management experience.

We are committed to ensuring that we have the right balance of skills and experience within the Board. Eight of our nine non-executive directors have spent their careers in financial services, across the gamut of the sector. There is significant breadth of business line experience, including in corporate, business and retail lending; asset management; general insurance; life and pensions; health insurance; and FinTech. This is complemented by deep functional experience in risk, technology, operations, finance and regulatory management.

Diversity across all its dimensions is important to us, and gender diversity has been a particular area of focus for the Group at both workforce and Board level. Currently, the gender ratio on our Board is 45% female and 55% male.

Distributions

In light of the evolving COVID-19 pandemic, and following the recommendation of the ECB in March 2020 on dividend distributions for all significant institutions, the Group withdrew its proposed dividend for the year ended 31 December 2019.

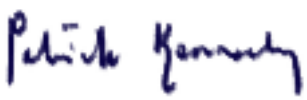
In December 2020, the ECB provided updated guidance on distributions, requesting banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021.

The Board recognises the importance of distributions to shareholders, and our policy of approving distributions on a prudent and progressive basis remains unchanged. Our focus is on a return to profitability and our objective is for distributions to recommence as soon as possible based on performance and capital position.

Outlook

As the world recovers to a different economy, more reliant on technology, we must be ready. Whatever time any organisation thought it had to transform has been reduced by the consequences of the pandemic. We have commenced a strategic refresh process, and will communicate an updated strategy and financial targets to shareholders later in the year.

Successful delivery for shareholders will require the combination of rigorous prioritisation with very high-quality execution. Bank of Ireland has a proven track record of effecting transformation in recent years, and, while the external environment remains uncertain, the Board remains confident that the Group is well placed to deliver value for its shareholders through the cycle.

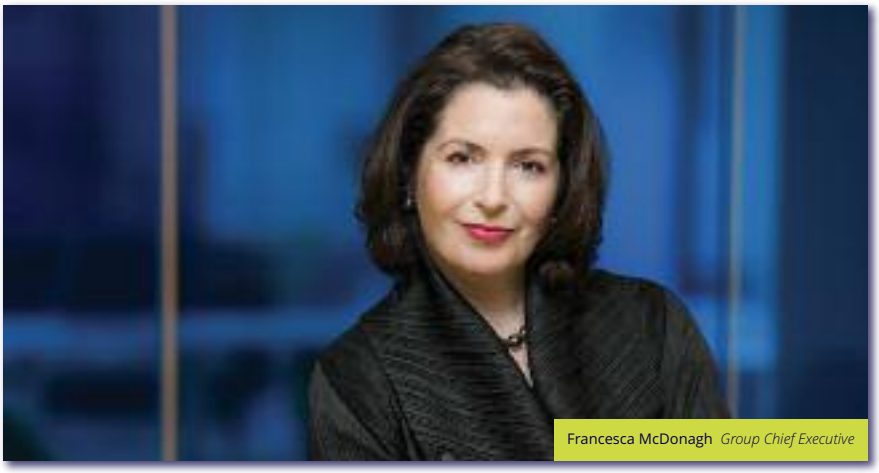


Patrick Kennedy
Chairman

Eoin Lowry *(Head of Agriculture at Bank of Ireland)*

Chief Executive's review

Through an exceptionally challenging year, we continued to transform and deliver on our strategic objectives, while providing ongoing support to our customers, colleagues and communities.



Francesca McDonagh *Group Chief Executive*

2020 was an exceptional year with a myriad of challenges for people, communities where we operate, and for all businesses, including banks. At Bank of Ireland, from the start of the COVID-19 crisis, we quickly focused our resources and efforts on protecting and supporting our customers, colleagues and communities. The investment we've made in recent years in transforming our culture, systems and business model underpinned our ability to quickly adapt to the impacts of COVID-19.

At the same time, we maintained discipline and focus on our strategic priorities throughout 2020. We have further reduced costs and improved our efficiency. We built on the delivery of new digital capabilities to enhance customer service with customer complaints reducing and our Net Promoter Score (NPS) increasing significantly. Our market shares increased in Irish mortgages and SME lending, and we made good progress in the reshaping of our UK business.

The external environment

COVID-19 has devastated many families and businesses across Ireland and the UK. The impacts of COVID-19 on the Irish and UK economies during 2020 have been significant, leading to reduced levels of credit formation and business income. The low interest rate environment continued to negatively impact the Group's revenue, including net interest income and margins. The prolonged negotiation of final Brexit terms also created significant uncertainty, especially for business customers, for much of the year given that 16% of Irish services exports and 9% of Irish goods exports go to the UK.

These external factors are reflected in our 2020 financial results. The Group has reported an underlying[1] loss before tax of €374 million, including an IFRS 9 impairment charge of €1,133 million. While the pandemic has had a material impact on earnings, the Group returned to profitability in the second half of 2020.

Capital has remained strong, with a fully loaded CET1 ratio at the end of December 2020 of 13.4%, and a regulatory CET1 ratio of 14.9%.

The Group has comprehensively captured the impact of COVID-19 in our €1,133 million impairment charge. Asset quality remains strong and over 90% of payment breaks offered to customers at the start of the pandemic have now concluded with a return to pre COVID-19 repayment terms, supporting an impairment charge at the lower end of our previous guidance.

While the low interest rate environment and the impact of the COVID-19 pandemic will continue to present near-term challenges, the overall economic outlook is positive. The Irish and UK economies are expected to see a recovery in Gross Domestic Product in 2021, underpinned by the rollout of vaccine immunisation programmes.

While it will take time to settle, the conclusion of post Brexit trade negotiations between the EU and the UK also provides clarity and confidence for future investment decisions, particularly for business customers.

Purpose and culture

The Group's purpose is to enable our customers, colleagues and communities to thrive. This purpose has guided our pandemic response throughout the year.

Customers

Supporting our customers is core to our purpose, beneficial for the wider economy and supports the Group's growth ambitions. During 2020, we launched a comprehensive suite of measures for our personal and business customers, including over 100,000 payment breaks for customers in Ireland and the UK. Specific

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*

Related pages
Our strategy (page 13)
Responsible & sustainable business (page 20)
Risk management (page 34)

supports were provided for vulnerable customers, and a nationwide fraud awareness campaign was launched in line with an acceleration in digital banking adoption by customers. All key customer service metrics strengthened during the year including customer complaints which fell by 22% in Ireland from 2019 and the Group's customer NPS which improved by 5 points from the end of 2019.

Throughout the year, we continued to support our customers through various lending schemes, and we are an active participant in Government guaranteed lending schemes in Ireland and the UK. An additional €1 billion was made available to support homebuilding and green investment. As we enter 2021, we continue to support our customers while maintaining risk and pricing discipline.

Colleagues

The response of our colleagues to the challenges of the pandemic has been outstanding. I feel proud and grateful for the hard work of all our colleagues during 2020, especially those on the frontline who have supported our customers throughout the year. Our agile ways of working have enabled more than 75% of colleagues to work from home with minimal impacts on our customers and businesses. We have also delivered physical and mental health initiatives to promote colleague wellbeing. In survey responses, our colleagues have recognised this with engagement up by +5 points to 67% since Q4 2019 and culture embedding improved by +11 points to 77%, 3 percentage points ahead of the Global Financial Services benchmark.

Communities

The Group is embedded in the communities we serve, and our role in supporting those communities was never more important than during 2020. We are playing a key role in the re-boot of the Irish economy, with a 2% increase in mortgage market share to 25.5%, and a leading share in business lending. The Group's €1 million COVID-19 Emergency Community Fund was dispersed to meet urgent needs arising from the pandemic. We particularly focused on customers and communities impacted by COVID-19 and Brexit. In addition, the Group's €4 million Begin Together campaign is improving financial, physical, and mental wellbeing in communities across the island of Ireland and includes a partnership with Business to Arts to assist the arts sector.

Strategic progress

2020 has seen good progress in delivery of our strategic priorities to transform the Bank, serve customers brilliantly, and grow sustainable profits, including:

- a reduction in costs for the sixth consecutive reporting period; down 4% in 2020 and 10% in the past three years;
- new digital customer propositions, including the rollout of our new mobile app, mobile payment capability, and new digital customer platforms in Wealth and Insurance. This progress supports increased customer preference for digital fulfilment, with a 26% increase in customers using the new mobile app since launch in 2020;
- a 2% increase in our mortgage market share in Ireland, while maintaining commercial discipline on risk and pricing;
- further strategic progress in the UK, growing our bespoke lending by c.£0.6 billion since launch, delivering a 9% reduction in costs, and completing our strategic review of Northern Ireland;
- the launch of our new Responsible and Sustainable Business strategy, which includes setting science based targets across our portfolios by 2022; and
- maintenance of strong capital ratios, with a buffer of c.510 basis points to our 2021 minimum regulatory capital requirements.

Digital banking

Customers are increasingly banking digitally and 2020 has seen an accelerated shift in this direction. At Bank of Ireland, c.70% of sales of key banking products are now originated digitally, and in-branch transactions are c.93% automated.

Digital journeys are being enhanced through our investments in over 15 End-to-End redesigned sales and servicing journeys for customers. Customer experience has improved by making processes simpler and reducing application times, with the Group benefitting from enhanced customer advocacy and cost efficiency.

Innovation through the rollout of new customer propositions is also at the forefront of our digital investment; c.810k customers have successfully migrated to the Group's new mobile app which delivered a 50% increase in functionality. Customers appreciate the investment, evidenced by a +19 point improvement in mobile app Customer Effort Scores compared to 2019, a key measurement of customer satisfaction.

The trend towards digital engagement accelerated in 2020, with 69% of customer interaction with everyday banking products going through digital channels, up 7 points on 2019. This trend, and the positive reaction to the roll out of our enhanced digital offerings, leads us to believe that we are now at a tipping point in terms of customer behaviour. In line with this, we are taking action to reshape our branch network and ensure our mix of physical and digital service reflects our customers' changing preferences.

During 2021, we will reduce our physical footprint in the island of Ireland, closing c.33% of branches, while continuing to increase our digital service offerings. In the Republic of Ireland, we are working with An Post, the Irish post office, to ensure that customers of the branches to be closed will still have access to banking services within an average distance of 0.5 kilometres from the closed branch. We are committed to supporting all customers through this period of change.

Wealth and Insurance

The Group has a unique position and opportunity in the Irish market as the only universal bancassurer, providing in-house product manufacturing and distribution. This ensures the Group captures all economic profits from the product life cycle. At the end of 2020, the Wealth and Insurance business had c.€20 billion of assets under management, and contributed 38% of Group business income. We further grew penetration of the bank customer base to 35%, up from 32% in 2019.

We are continuing to strengthen the digital capabilities of this business with enhanced customer propositions across pension platforms (with a 90% reduction in onboarding times), Wealth and Insurance advice platforms (45% of customer transactions are now through direct channels), and broker channels.

Favourable demographics and market changes underscore future growth opportunities in Wealth and Insurance. The proven strength of our franchise, coupled with our digital investments, make us well placed to benefit from these opportunities.

Costs

Our strategic focus on cost reduction has continued. In 2020, costs reduced for the sixth successive reporting period and we have achieved our 2018 Investor Day target of a c.€1.7 billion cost base one year early.

Cost reductions have been delivered across a broad range of staff and non-staff initiatives and we continue to see additional opportunities to reduce our cost base and improve efficiency.

We target 2021 costs to be less than €1.65 billion and we are today announcing a new medium-term cost target for 2023 of €1.5 billion.

This new target equates to a c.20% reduction in costs since 2017 having absorbed significant investment in our people and infrastructure over that period.

UK

Strategic progress in our retail businesses in the UK continued in 2020. Net interest income was stable, costs reduced by 9%, while new lending volumes in 2020 were £1 billion lower. This reflects our strategy to improve new business mix towards higher margin lending, including c.£0.6 billion of new Bespoke mortgage lending since launch in 2019.

Further progress is necessary to improve returns in our UK business. The strategic review of the Northern Ireland retail business was completed. This will result in a material restructure of the Northern Ireland business. c.50% of branches will close, helping to reduce costs. We will further simplify our product offering, leveraging our expertise in car finance and mortgages. We will also relocate our UK Head Office from London to Belfast.

The UK strategy will continue to focus on higher lending margins, lower costs, a reduction in deposit costs and operating with a smaller balance sheet. Consistent with this, during 2021, we expect the UK loan book to reduce by c.10%, reduced deposit volumes, margins to be in line with 2020 exit margins and costs to reduce by a further c.3%.

Responsible and Sustainable Business

Today we publish our new Responsible and Sustainable Business strategy 'Investing in Tomorrow', which we developed throughout 2020. This strategy comprises three key pillars; enabling current and future colleagues to thrive, enhancing customers' financial wellbeing, and supporting the green transition.

As part of this, we have committed to setting science based targets to align our lending to the Paris Climate Agreement. We are also committing to become Net Zero in our own operations by 2030. During 2020 we enhanced our RSB governance at both Board and management levels. We completed a materiality assessment, an initial impact assessment of the Group's products and services, and launched the Group's inaugural Green Bond Framework. We also increased the size of our Sustainable Finance Fund in 2020 by €1 billion to €2 billion.

Financial performance

The Group posted an underlying loss before tax of €374 million in 2020 with COVID-19 having a material impact on financial performance. Total income was 8% lower than 2019 with a return to profitability in the second half of 2020.

The Group's loan book decreased by €2.9 billion during 2020 (€0.8 billion on a constant currency basis) due to foreign exchange and other movement of €1.8 billion and impairment charges of €1.1 billion. Stable net lending includes €0.7 billion of revolving credit facility (RCF) drawdowns. Total new lending volumes, excluding RCF activity, of €13.3 billion were 19% lower than 2019, reflecting reduced activity in our core markets.

Net interest income of €2,115 million was 2% lower than 2019. The benefits of reduced liability costs and higher margins on new UK lending was more than offset by reduced yields on liquid assets and structural hedges. Liquid assets as a proportion of average interest earning assets increased to 26% in 2020 compared to 23% in 2019. Net interest margin (NIM) was 2.00%. The Group's NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, offset by growth in liquid assets and lower structural hedge income.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange, and transactional banking fees. Business income of €557 million, including share of associates and joint ventures (JVs), is 21% lower than 2019, driven primarily from reduced levels of economic activity. A loss of €61 million on valuations and other items was reported in 2020.

Business income includes Wealth and Insurance income which decreased 23% versus 2019 due to lower new business sales and impact of assumption changes. Retail Ireland income decreased 18% from lower transaction fees and foreign exchange income. Corporate and Treasury fee income reduced by 10% from lower underwriting income. Share of associates and JV income reduced by €43 million in 2020 due to UK travel restrictions.

Delivery on transforming our culture, systems and business model continues to drive efficiencies across the Group.

Operating expenses (excluding levies and regulatory charges and impairment of intangible assets and goodwill) reduced by 4% compared to 2019 and includes €25 million of COVID-19 related expenses. We have successfully achieved our cost target of c.€1.7 billion one year early. Non-core charges of €386 million include €245 million related to business model restructuring, including €189 million voluntary redundancy costs, and a €136 million non-core charge taken in the first half of 2020 relating to impairment of intangible software assets. The voluntary redundancy costs will result in a €114 million in annualised staff costs when completed.

A net credit impairment charge of €1,133 million on financial instruments in 2020 compared to €215 million in 2019.

This charge, c.60% of which was taken on performing loans, reflects the impact on IFRS 9 models of Forward Looking Information (FLI) from the Group's latest macro-economic outlook, a management adjustment related to the risk that longer-term credit supports may be required for customers affected by COVID-19 and actual loan loss experience in the period.

Actual loan losses in the period of €437 million, primarily in corporate and property portfolios, include €253 million on legacy property exposures. The Group's impairment coverage increased to 2.9% from 1.6% at December 2019. Subject to no further deterioration in the economic conditions or outlook, the majority of the

credit impairment risk associated with COVID-19 has been captured; we expect the 2021 impairment charge to be materially lower than 2020.

Our non-performing exposures (NPEs) increased by €1 billion to €4.5 billion, equating to an NPE ratio of 5.7% of gross customer loans. This increase, all of which occurred in the first six months of 2020, primarily reflects credit migration in our property and construction portfolios, and the implementation of the new Definition of Default regulatory framework.

Our regulatory CET1 capital ratio of 14.9% and fully loaded CET1 capital ratio of 13.4% at December 2020 remain strong despite elevated levels of impairment charges in the period. Pre-provision organic capital generation and the reversal of the dividend declared in respect of 2019 was more than offset by the impact of credit deterioration, transformation investment and other movements. Minimum regulatory capital requirements were reduced by c.188 basis points in 2020 with the Group's 2021 requirement set at 9.77%. The Group's 14.9% regulatory CET1 capital ratio at December 2020 provides headroom of c.510 basis points to our 2021 requirements. We expect 2021 CET1 ratios to remain broadly in line with December 2020 levels.

Sustainable returns

The challenges impacting on the operating environment during 2020 have been significant. Nonetheless, as set out, the Group's swift and proactive response was enabled by our investment in transformation prior to the pandemic. The Group successfully adapted to the challenges it faced, ensuring ongoing support to customers, colleagues and communities while remaining focused on strategic delivery, in particular the continued lowering of costs, the launch of new digital customer propositions, and improvements in the profile of our UK business.

Looking to 2021, while we recognise the necessary ongoing restrictions and consequent challenges as we start the new year, we anticipate these will moderate as the vaccine rollout progresses in our major markets. We have sufficient capital to support economic recovery, we are investing in our digital capabilities and customer propositions, we are continuing to reduce our costs, and we are making progress on our UK restructuring. We are committed to responsibly developing our long term franchises, to serve our customers brilliantly and deliver sustainable returns to our shareholders.

In 2018 the Group held an Investor Day which set out our strategic priorities for the period to 2021. We will provide an update on our strategy and outlook for 2021-24, including refreshed medium term targets, later this year.

In the meantime, keep well and stay safe.

Francesca McDonagh
Group Chief Executive

Our Ambition, Purpose and Values

Amplified in response to COVID-19

Our Ambition, Purpose and Values were amplified in response to COVID-19, as challenges and restrictions were experienced by communities on a global scale. We demonstrated our commitment to customers and stakeholders, by rapidly adapting our approach and safely delivering service and supports at a time of great need.

Our ambition

Our ambition is to be the National Champion Bank in Ireland with UK and selective international diversification.

National Champions are recognised as consumer champions, drivers of economic growth with strong market shares, employers of choice, and having strong brand positions. As we work to deliver on this ambition, we continue to transform the Bank of Ireland experience for our customers, colleagues and communities. There is no doubt that 2020 was an exceptional year - presenting enormous challenges for so many. We acknowledged this by striving to support our customers, colleagues and the communities where we all live and work.

We invested in our colleagues and their wellbeing and continued to transform customer experiences by progressing with digital transformation initiatives and online products that meet customers' expectations around a shifting digital culture in society. We introduced a range of measures designed to make it easier for our customers to bank with us.

To achieve our ambition, in June 2018, we set out three clear strategic priorities as part of a three-year plan; to transform the Bank, serve customers' brilliantly and grow sustainable profits. During the COVID-19 pandemic, we have demonstrated that this strategy is flexible enough to adapt to rapidly changing external events.

Our purpose

Bank of Ireland's purpose is to enable our customers, colleagues and communities to thrive.

Customers are at the heart of our business and always come first. In 2020 we connected and supported them throughout the pandemic, with a range of initiatives and supports to assist throughout the crisis.

Colleagues keep our organisation working, by innovating and adapting to meet our customers' needs - never more than 2020 when they went above and beyond to deliver, in spite of challenging circumstances and a rapid transition to remote working.

Communities are where we live and work, and include groups such as our customers, shareholders, regulators and governments. Throughout 2020, we built on these relationships when the role of communities became ever so important. This is something we will continue to build on as we work towards rebooting the economy.

Our values

Our purpose is supported by four key values which guide us in everything we say and do and these values are embedded in how we run our business. In 2020, these values guided our actions as we mobilised to continue to serve customers brilliantly.

Customer focused

We understand our customers well. We listen to them to ensure they feel valued and use our insights to consider how best to serve their needs. We take appropriate actions to deliver solutions to meet customers' changing requirements.

One Group, One Team

We know we work smarter when we come together behind our common purpose. We learn from each other and share ideas to expand our thinking. We build an open, trusting and supportive environment, and foster diversity of thought, ideas and experiences to spark creativity and innovation.

Agile

We embrace change with an open mind and a can do attitude. We respond quickly and proactively seek different perspectives. We challenge ourselves to look for new and simplified ways to efficiently deliver the best solutions for our customers.

Accountable

We are empowered to take ownership and trusted to do the right thing to support our customers, colleagues and communities. We lead by example and challenge ourselves and each other to do our best work at all times. We learn from our mistakes and celebrate our successes together.

Our strategy

To transform the Bank, serve customers brilliantly and grow sustainable profits

Related pages

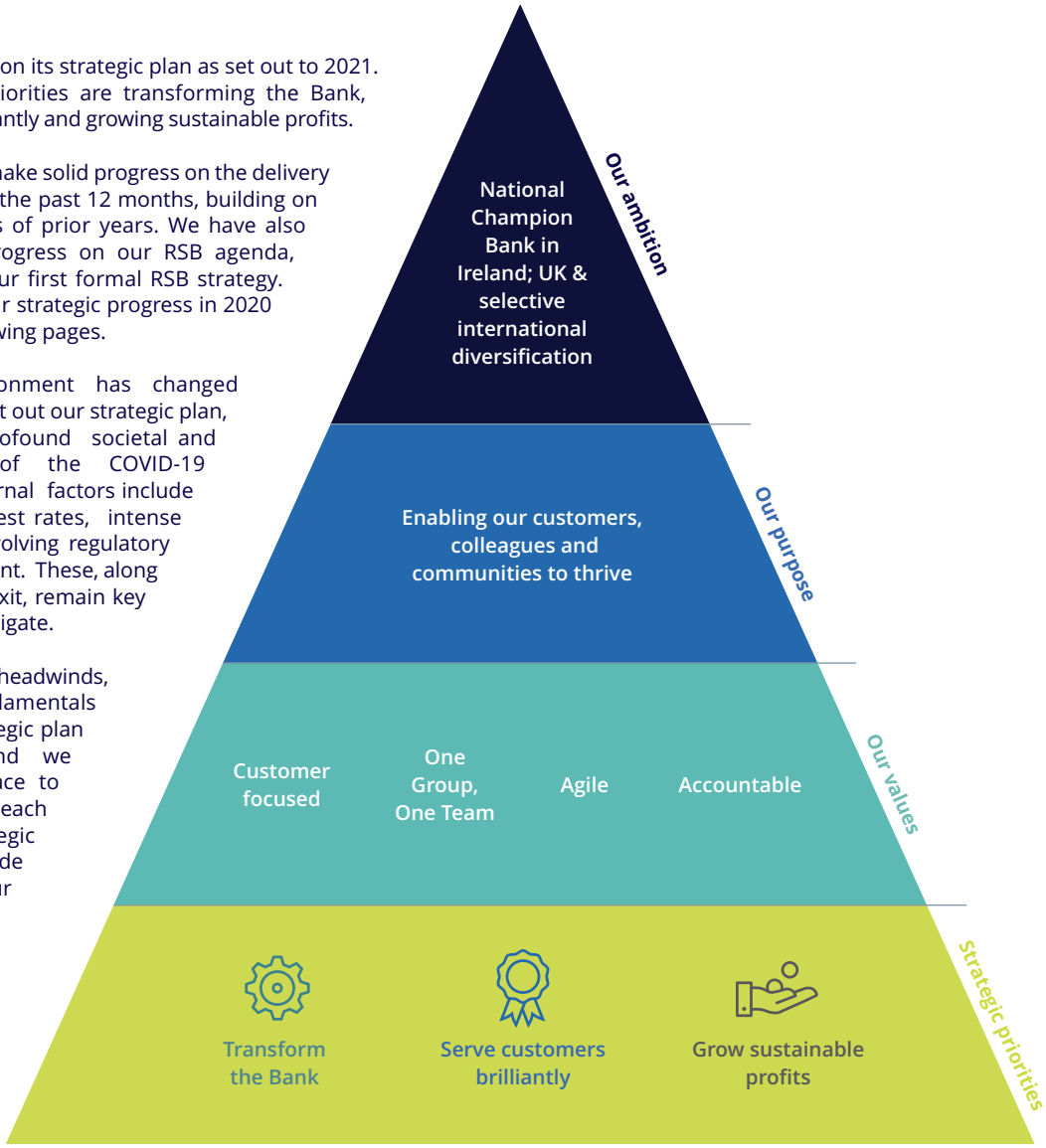
CEO review (page 8)
Responsible & sustainable business (page 20)
Risk management (page 34)
Divisional review (page 58)

The Group is delivering on its strategic plan as set out to 2021. Our three strategic priorities are transforming the Bank, serving customers brilliantly and growing sustainable profits.

We have continued to make solid progress on the delivery of these priorities over the past 12 months, building on the strong foundations of prior years. We have also continued to make progress on our RSB agenda, including developing our first formal RSB strategy. The key highlights of our strategic progress in 2020 are set out on the following pages.

Our operating environment has changed significantly since we set out our strategic plan, amplified by the profound societal and economic impacts of the COVID-19 pandemic. Other external factors include lower-for-longer interest rates, intense competition and the evolving regulatory and political environment. These, along with the impact of Brexit, remain key challenges for us to navigate.

Notwithstanding these headwinds, the economic fundamentals underpinning our strategic plan remain supportive and we have clear plans in place to deliver further against each of our three strategic priorities. And we provide an update on our strategy, including refreshed medium-term targets, later in the year.



Our strategy *(continued)*
Transform the Bank

We are transforming our culture, systems and business model to enable our customers, colleagues and communities to thrive.

2020 brought Apple Pay and Google Pay to our customers: more functionality, security and speed

This represents further proof of our strategic progress in systems transformation, with fully-digitised processes across key customer journeys. The current account customer journey is now the single largest channel of account origination, and given the amplified shift in customer preferences to digital across all customer groups, we're on course to activate more business this way in the future. Other milestones reached are a fully digitised mortgage-application process, a newly digitised small business lending proposition and card control features added for mobile app and 365 online customers.

Culture

We are on a multi-year culture transformation journey. Strengthening our culture will contribute to positive customer outcomes, long-term customer relationships, growth in sustainable revenue and improved staff engagement and talent acquisition.

Target outcomes

- Improved customer centricity.
- Best-in-class employee engagement.
- All management and leadership appointments to represent a 50:50 gender ratio by 2021.

How we performed in 2020

- The Group Colleague Culture Embedding Index, which measures the awareness, understanding, belief and demonstration of our purpose and values, continues to improve - up 11 points on 2019 to 77% and is now three points ahead of the Global Financial Services benchmark.
- Our colleague engagement score continues to increase and is up 5 points on Q4 2019 to 67%, reflecting our continued focus. Enabling current and future colleagues to thrive remains a core focus and is now a core pillar of our new RSB strategy (page 20).
- Since March, we have launched a range of dedicated colleague supports as part of our response to COVID-19 including mental health, physical wellbeing and health supports.
- In 2020, the Group's gender ratio of management and leadership appointments was 59% male: 41% female. This figure is slightly down on last year, partially reflecting COVID-19 impacts. The Group remains committed to achieving a 50:50 ratio in 2021 and is continuing to invest in dedicated programmes such as 'RISE' which builds gender-balanced talent and accelerates female leaders of the future.
- During 2020, Bank of Ireland's 'With Pride Network' was recognised with both the LGBTQ+ Inclusion Award at the Diversity in Tech Awards; and the Best LGBT+ Employee Resource Group at the GALA Award.
- Following on from last year, our online colleague recognition portal was established to recognise achievements of co-workers in a remote-working environment. Over 6,500 colleagues were nominated, with 55 finalists attending a Virtual Recognition Awards ceremony in December.

Related pages
Responsible & sustainable business (page 20)
Risk review (page 45)
Divisional review (page 58)

Systems

We are making a significant investment to transform our technology. This investment is critical to support our business growth, as well as improving efficiency and enhancing service to our customers.

Target outcomes

- Improved customer experience.
- Simplification of products and processes.
- Excellence in digitisation and robotics.
- Transforming our technology.

How we performed in 2020

- Our new mobile app was delivered in 2020 to over 800,000 customers and saw over 50% increased functionality rolled out throughout the year including Google Pay and Apple Pay deployments.
- We have improved key customer journeys through greater automation and robotics, enabling customers to increase their level of self-service. In Q3 2020, we introduced a new digital mortgage journey for first-time buyers allowing customers to apply for and fully draw-down a mortgage online, with 40% of all applicants now applying via this channel.
- Over the year we have digitised 15 retail sales journeys via our End-to-End process. This includes our small business lending proposition; and our digital insurance wallet which now generates c.38% of general insurance sales.
- We also enhanced voice automation services in areas such as online banking activation and mortgage arrears' payments, enabling telephone customers to self-serve at any time.
- All Bank Automated Teller Machines (ATMs) for RoI & UK (c.4,000 devices and 1 million transactions per day) were successfully migrated to an outsourced service provider in 2020, reducing costs and further simplifying our IT architecture.
- To enable widespread remote working, the Group provided significant digital workplace enhancements including a full suite of tools to enable secure collaboration across the organisation.
- We continue to invest in and transform our technology across key customer data and security platforms; enhance our data management, and ensure we meet regulatory requirements while reducing operational risk.

Business model

We are committed to optimising our business model and ensuring our organisation is efficient and effective. We are simplifying our structures, making our teams more effective and improving the management of third-party providers. This will help us to become leaner, more agile and even closer to our customers.

Target outcomes

- A more simplified and customer centric organisation.
- Effective and sustainable sourcing arrangements.

How we performed in 2020

- During 2020, we continued to invest in our customer-facing businesses and building internal capability in key areas such as IT change-delivery and analytics, while achieving a €15 million or 2% reduction in staff costs excluding pension costs compared to 2019.
- A voluntary redundancy programme approved in Q3 will see c.1,450 full-time employees leaving the Group on a phased basis, and will bring staff numbers below 9,000 for the medium-term.
- The global pandemic has accelerated the move toward remote working, with two thirds of staff working from home for the majority of the year. We have reduced our occupied office space by 29% over the last three years; and exited four sites in Dublin in 2020. As we embed remote and more flexible ways of working, including agile hubs across the RoI, we will continue to review our property footprint.
- In Q4, we announced the simplification of our Personal current account fee structure replacing 26 existing fees and charges with a single monthly fee of €6, increasing transparency for customers and significantly reducing operational complexity.
- We have digitised more than 15 retail sales and servicing journeys through our End-to-End process in 2020; improving customer experience, reducing operational risk and delivering more than €20 million in cost savings.

Our strategy *(continued)*
Serve customers brilliantly

We are committed to building a customer-focused organisation that invests in improving service and digital capabilities, while also getting the basics right. We listen to customers and respond to their feedback.

Over 100,000 payment breaks, flexible financial options and faster SME payments

Enabling our customers to thrive is at the heart of our purpose, and in 2020 our actions were more important than ever. We quickly stepped up with a range of supports to help business and personal customers affected by COVID-19: ranging from working capital, trade finance and foreign currency assistance, to flexible payment arrangements. Extra resources were made available as we made changes to our branch network, diverting attention to the areas our customers needed us most. We also waived contactless fees, committed to fast-track payments for more than 1,000 SME suppliers.

Embedding voice of customer in our businesses

Customers are always at the very heart of our business, but never more than this year as we've seen their expectations around product, service and banking preferences - particularly in relation to digital - evolve at an accelerated pace. We are committed to supporting our customers' needs and financial wellbeing by offering customer-centric propositions and services to enable them to thrive in all circumstances.

Target outcomes

- Significant improvement in customer satisfaction and advocacy.
- Serving customers during their key life moments.
- Customer centricity at the heart of our culture.

2020 highlights

- Customers remained at the heart of our response and we reacted to the rapidly unfolding crisis by diverting branch staff to our contact centres to answer over 2,000 calls a day, as well as issuing 2 million SMS notifications, over five times the normal rate, across our customer network in March alone.
- We saw a significant improvement in customer satisfaction through our Customer Effort Score (CES), which measures ease of customers' service experience across all channels, and continued to improve by 5 points to 54 in December 2020.
- Customer complaints were down 22% down on 2019 in the Republic of Ireland and 45% lower than 2018. This is the lowest yearly volume of complaints on record. In Retail UK we launched our First Contact initiative to reduce customer complaints, resulting in a reduction of 37% compared to 2019.
- Since March we provided over 100,000 payment breaks to personal and business customers impacted by the pandemic in Ireland and the UK.
- We continued to develop our Financial Wellbeing programme, which focuses on empowering people to thrive financially and make better financial decisions. Read more about Financial Wellbeing (page 26).
- We provided enhanced services and supports in our Vulnerable Customer Unit (VCU) - which played a central role in our COVID-19 response, with a new 'Just A Minute' (JAM) Card to help our more vulnerable customers' discreetly convey their need for more time. We also introduced a carers' debit card to provide a safe and secure way for carers to manage the daily living expenses of those in their care.
- We supported the €2 billion SBCI COVID-19 Credit Guarantee Scheme launched to provide liquidity to SMEs in the Republic of Ireland.

Related pages
Responsible & sustainable business (page 20)
Risk review (page 45)
Divisional review (page 58)

Investing in digital and physical channels

We are investing in all channels to improve customer experience and service. We are re-designing and digitising high-priority journeys, upgrading service in our branches and contact centres, reallocating colleagues to customer facing roles and upgrading advisory services through colleague training and development.

Target outcomes

- Great customer experience and increased digitally-enabled customer journeys.
- Extend the API foundation for Open Banking.

How we performed in 2020

- We continued to enhance our digital capabilities as our customers' needs changed with over 70% of personal customer applications now originating via digital channels (up from 62% in H1 2019), including 95% of cards, over 70% of personal loans and over 60% of personal current account applications.
- Strong Digital Channel growth continued in 2020, mostly driven by mobile app adoption. Our mobile app traffic is up 32% in the past two years (2020 vs. 2018) with 38% of personal loan applications now made via this channel.
- We saw over 240 million visits across all digital channels including Group Website in 2020, up 9% on 2019.
- Our new digital personal current account customer application journey (via camera-enabled device) takes only six minutes to complete on average. It is now the customer channel of choice with over 50% of applications being made via this route.
- In 2020, 45% of Wealth and Insurance customers transacted through our direct or digital channels supported by the Wealth and Insurance Digital Advice Platform, which enables End-to-End digital sales and fulfilment, up from 39% in 2019.
- We provided enhanced Open Banking through Application Programming Interfaces (APIs) providing customer data, device authentication and payments' services for customers on both digital and Open Banking channels.

Our brand strategy

We have identified our brand purpose and drivers, putting the customer at the heart of everything we do. We have repositioned our brand to bring our purpose to life in a way that differentiates us and offers real value to our customers, colleagues and communities. This positioning brings the constituent parts of the business together and is now reflected in our advertising and sponsorship assets. Our creative brand position will sustain us over the next three to five years.

Target outcome

- To become the number one banking brand in Ireland.

How we performed in 2020

- Our 'Begin' brand campaign is now in its second year of investment and has helped to amplify our brand, as demonstrated by our strong Customer Effort Score up 5 points in 2020 with a key focus on 'Financial Wellbeing'.
- Our brand consideration metrics continue to improve, increasing 2% to 21% in 2020.
- In 2020 we aligned many of the Group's philanthropic activities under one umbrella 'Begin Together' which is a three-year, €4 million programme designed to support community-focused initiatives across the island of Ireland. This includes €1 million for the Begin Together Arts Fund launched in September 2020, in partnership with Business to Arts.
- In August 2020 we launched a multi-platform 'Fraud Awareness' campaign to highlight the dangers and tactics employed by criminals to trick customers into providing their banking details.
- We continued to proudly sponsor Irish Rugby across the four provinces and are proud sponsors of the Emerald Warriors, Ireland's leading LGBTQ rugby club.

Our strategy *(continued)*
Grow sustainable profits

We are focused on delivering sustainable returns for our shareholders. This is based on business growth in our key markets to expand lending, grow fee income and increase revenue sustainability. At the same time, we are reducing our costs each year as we drive efficiency and streamline our business.

New digital advice platform: End-to-End applications and 35% uptake of investment products

More improvements as part of our technology transformation came in the form of our newly enhanced Wealth and Insurance digital advice and transaction platform – a first to market proposition. As Ireland's only bancassurer we increased penetration of our Wealth and insurance products from within the Bank's customer base, with product uptake of more than 35%. The platform provides an online one-stop-shop for customers opening an investment plan tailored to their unique risk profile, and caters for those who wish to invest regularly from a remote setting.

Business growth

Creating growth in our Irish business will increase lending volumes, interest income and fee income. We are working towards our goal to be a lead supporter of home building and home buying in Ireland, and to grow our wealth management and insurance business. As Ireland's leading retail and commercial bank and the only bancassurer in the market, we are building on our strengths, in particular the demand for housing and supportive demographic changes as called out in 'Ireland 2040, the National Planning Framework'.

Target outcomes

- To become the National Champion Bank in Ireland with UK and selective international diversification.
- To be the leading supporter of home building and home buying in Ireland
- Continue to build on our Wealth and Insurance business
- Measured and commercially disciplined loan book growth in our Irish and international acquisition finance businesses; improve sustainable returns in our Retail UK business.

How we performed in 2020

- Underlying loss before tax of €374 million, with net lending volumes of €0.1 billion.
- Market share in new mortgage lending Ireland of 25.5%.
- Across the Group, we approved €1.1 billion in Residential development funding which will deliver c.11,000 residential units, including c.760 social housing units and c.3,000 student units over the coming years.
- In September 2020, we launched our Green Bond Framework enabling us to issue Green Bonds while financing additional projects across renewable energy, green buildings, and clean transportation. In 2020, we also doubled our Sustainable Finance Fund to €2 billion.
- The Group retained its position as Ireland's leading Corporate Bank with gross new lending of €2.8 billion. With loans and advances to customers closing at €16.4 billion, broadly flat on the year.
- Despite industry-wide disruption, we maintained our market share in lending to SMEs across Manufacturing, Agriculture, Retail Convenience and Healthcare.
- We continued to leverage our position as Ireland's only bancassurer, by increasing the penetration of Wealth and Insurance products to our Bank customer base to 35%, up 3 points on the prior year.
- Strong capital position maintained, with a fully loaded Common Equity Tier 1 (CET1) ratio of 13.4% at December 2020, pre-impairment organic capital generation of c.125 basis points.

Related pages
Responsible & sustainable business (page 20)
Risk review (page 45)
Divisional review (page 58)

Continued cost reduction

We expect our costs[1] to reduce every year, delivering a total cost base of €1.65 billion in 2021 and €1.5 billion in 2023.

Target outcomes

- Reduction of costs from €1.9 billion in 2017 to €1.65 billion in 2021 and €1.5 billion in 2023.
- Reduction in costs every year.
- Underlying cost income ratio of c.50% over longer timeframe.

How we performed in 2020

- Further progress on our cost journey, with operating expenses of €1.7 billion now 4% lower than 2019 despite additional costs related to COVID-19 of €25 million.
- The Group has achieved its original 2021 cost target of c.€1.7 billion set in 2018 , one year earlier than planned.
- Reduction in operating expenses has been achieved in 2020 through ongoing organisational simplification, improved ways of working, more efficient IT transformation and a continued focus on strategic sourcing.
- Underlying cost income ratio increased by 1% compared with 2019.
- Announcing a more ambitious target of €1.5 billion for 2023.

Reshaping the UK business

We are committed to the UK market where our focus is on improving sustainable returns. We have commenced a multi-year restructuring programme that will reduce our balance sheet, enabling us to lower our funding and operating costs, and focus on higher margin businesses across mortgages, Car Finance and Travel Money.

Target outcomes

- Improving sustainable returns.
- Improve lending margins.
- Lower cost of funding, acquisition and servicing.

How we performed in 2020

- We announced in Q3 2020 our intention to further restructure the Retail UK business, to reduce our balance sheet; enabling us to lower our funding and operating costs, and focus on higher-margin businesses across mortgages, Car Finance and Travel Money.
- Pre-provision operating contribution of £224 million was up 16% on 2019.
- In 2020, we reduced our UK cost base (excluding impairment of goodwill) by £25 million, improving our cost income ratio from 60% to 53%.
- We have begun to re-shape our loan portfolios by running down our lower-margin mortgages, while growing our 'Bespoke' mortgage offering by 48% in 2020 and broadening our broker network to 200 over the last two years.
- In Northern Ireland, we have completed our strategic review, which will result in a material restructure of the business; delivering a reduced physical footprint, product simplification and lower costs.
- We completed the migration of our UK credit card business to Jaja in October 2020.

[1] *Costs and operating expenses refers to underlying operating expenses (before levies regulatory charges and impairment of intangible assets and goodwill).*

Responsible and Sustainable Business at Bank of Ireland

Behaving in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive.

Following our commitment to the UN Principles for Responsible Banking (UNPRB) in October 2019, our focus in 2020 was to work on better understanding our impact, the issues important to our stakeholders and our baseline.

All of this work has informed the development of our new RSB strategy, which is being launched in conjunction with our annual results and which sets out our key environmental, social and governance priorities. We recognise the ever-growing expectations from our investors, customers and society – for increased action as well as transparency – and we are cognisant of the growing regulatory requirements around the Environmental, Social and Corporate Governance (ESG) agenda.

For the first time, we are reporting our progress against our UNPRB commitments and in line with TCFD recommendations.

Governance and accountability

The Nomination, Governance and Responsible Business (NGRB) Committee oversees the Group's RSB Strategy and monitors the Group's progress against its UNPRB and other commitments. At senior executive level, the Chief Strategy Officer (CSO) has been delegated responsibility for development and delivery of the RSB strategy, as well as its integration into our overall Group strategy. The CSO is supported in this by the RSB Team and the RSB Forum, an advisory group which comprises senior business and functional Executives from across the Group. Both the NGRB and the Group Executive Committee (GEC) receive regular updates on RSB.

Our commitments

UN Principles for Responsible Banking

Bank of Ireland signed the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking in October 2019. Providing a framework for a sustainable banking industry, the UN Principles help to align the banking sector with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

Task Force on Climate-Related Financial Disclosures

Bank of Ireland is a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD), a voluntary and consistent climate-related financial risk disclosure framework.

Low Carbon Pledge

Bank of Ireland signed the Business in the Community Ireland's Low Carbon Pledge in 2018 and committed to reducing our Scope 1 & 2 greenhouse gas emissions intensity by 50% by 2030.

Investing in Tomorrow

Related pages
CEO review (page 8)
Our ambition, purpose and values (page 12)
Our strategy (page 13)

Throughout 2020, we have developed our new Responsible and Sustainable Business strategy 'Investing in Tomorrow'.

Investing in Tomorrow

We believe that by investing time, money, effort and resources in making things happen, we're giving tomorrow a better chance. Our new RSB strategy aligns with our purpose of 'enabling customers, colleagues and communities to thrive' and also helps to achieve our ambition of being a National Champion Bank.

The strategy comprises three pillars – enabling colleagues to thrive, enhancing financial wellbeing and supporting the green transition – and these are built on strong foundations which guide our commitment to being a responsible and sustainable business. The strategy was informed by our materiality and impact assessments which are outlined on the following pages.

Our Responsible and Sustainable Business Strategy

Enabling colleagues to thrive

We will be a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base.

Focus areas
Digitally able
Employability
Inclusive development

Enhancing financial wellbeing

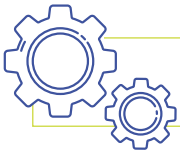
We aim to empower people to thrive financially by enabling them to make better financial decisions.

Focus areas
Financial capability
Financial inclusion
Financial confidence

Supporting the green transition

We are committed to working with our customers, colleagues and communities to support their transition to a resilient, Net Zero economy by 2050.

Focus areas
Set science-based targets
Provide sustainable financing
Decarbonise own operations
Manage climate-related risks
Transparently report



Foundations
Underpinned by strong foundations which guide our commitment to being a responsible and sustainable business.

Developing our strategy

In developing our RSB strategy, we engaged with our stakeholders to understand what was important to them and we undertook an assessment of the impact we have on society and the environment.

Listening to our stakeholders

Understanding the role we play and the impact we have on our many stakeholder groups helps to inform our RSB strategy and improve the quality of our reporting, while also highlighting risks and emerging trends that may be on our customers or investors' radars.

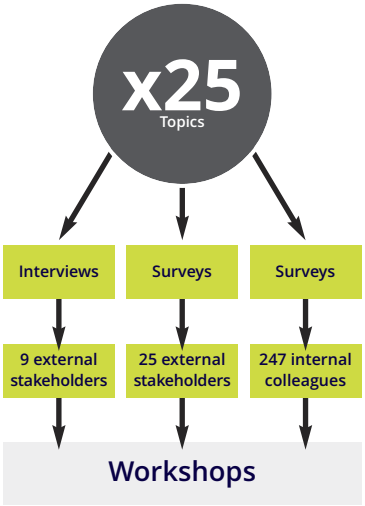
We engage regularly with our stakeholders through a variety of media, including surveys, social media, meetings, working groups and more.

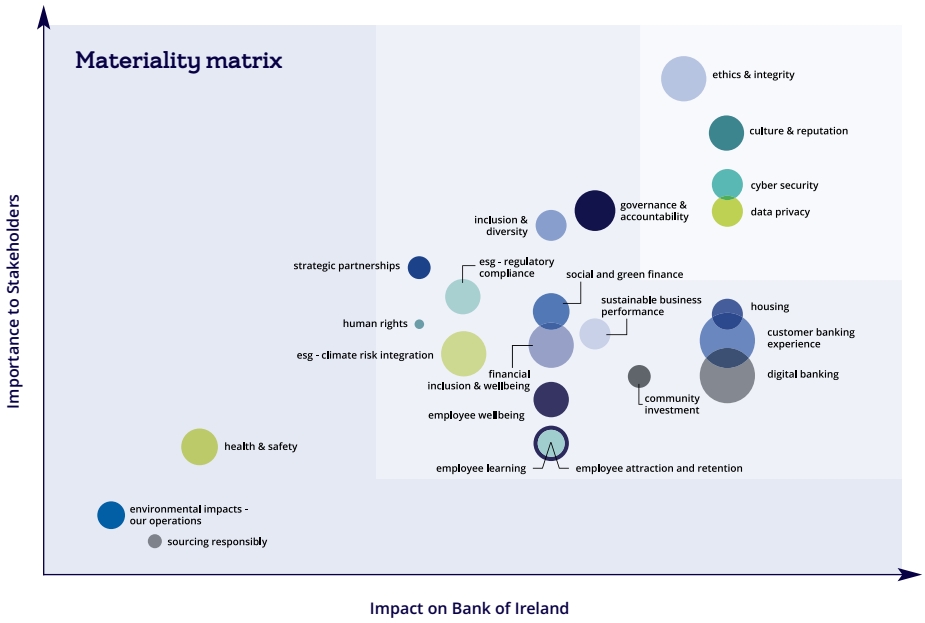
To inform the development of our new RSB strategy, we conducted our first materiality assessment in 2020. This allowed us to get a deeper understanding of the issues important to our stakeholders. There were four steps in the materiality assessment exercise.

Materiality assessment

1. **Horizon Scanning**
   We engaged a specialist external consultancy to support our materiality assessment. To start, we completed a horizon scanning exercise to understand the key issues in this agenda. This was informed by our purpose, values and strategic priorities, existing surveys with customers and colleagues, peer reviews, regulation and a review of trends, media and relevant research. A shortlist of 25 topics was produced from this exercise.
2. **Prioritisation**
   To prioritise, these topics were then explored in a comprehensive stakeholder engagement exercise which sought the views of customers, colleagues, suppliers, trade associations and NGOs among others; through interviews and surveys. Stakeholders were asked to indicate how important they considered each of the topics to be and their reasons for this.
3. **Validation**
   The RSB Forum, together with other senior internal stakeholders, then validated these stakeholder engagement findings and assessed the impact and influence of each of the topics in detail against agreed criteria.
4. **Finalisation**
   The output of this process is the materiality matrix set out below, which plots issues of material importance to stakeholders as well as the bearing they might have on the Group and its ability to influence each of them.

The materiality assessment findings have significantly informed our new RSB strategy and the various topics are reported on throughout this report.





The size of the bubble indicates the level of influence Bank of Ireland believes it has over reach each topic.

Related pages

CEO review (page 8)
Our strategy (page 13)
TCFD report (page 30)

Understanding our impact

In line with Principle 2 (Impact and Target Setting) of the UN Principles for Responsible Banking, the Group carried out an initial impact assessment to understand both the positive and negative impacts of its products and services on society and the environment.

Methodology

In conducting the impact assessment, the Group used the UNEP FI Portfolio Impact Analysis Tool for Banks. This was developed by over 40 UNPRB signatories and UNEP FI Member Banks, including Bank of Ireland, under the leadership of the UNEP FI Positive Impact Initiative. The Bank was an active participant in the consultation and feedback process of the tool development.

The Tool guides banks through a holistic analysis of their retail (consumer and business banking) and wholesale (corporate and investment banking) portfolios. A sector / impact map underpins the tool methodology and seeks to capture positive and negative associations between sectors / activities and the 23 impact areas which are linked to the 17 Sustainable Development Goals (SDGs) in areas comprising social, environmental, governance and economic information.

This initial assessment is presented (see across) against the four requirements for undertaking impact analysis i.e. scope, scale of exposure, context and relevance, and scale and intensity / salience.

The outcome of this impact assessment informed the development of our new RSB strategy. We cross referenced the outcomes of the impact assessment with that of our materiality assessment to ensure the correct focus. As climate has been identified as our most significant negative impact, this has been explored further and is the primary focus of our 'Supporting the Green Transition' pillar (see page 28). Building on our positive impact on 'inclusive healthy economies', financial inclusion forms a key element of our Enhancing Financial Wellbeing pillar. Employability, both within the Group and more broadly in society, is also a key focus of our RSB strategy.

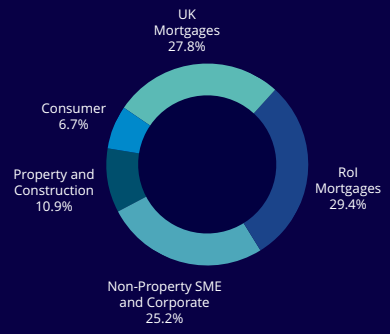
Bank of Ireland continues to be an active member of the Working Group which is developing the UNEP FI Portfolio Impact Analysis Tool. As the tool evolves, we will also refine and update our impact assessment.

Scope

Bank of Ireland's core business areas in two primary geographies – Ireland and the UK – is included in the scope:

- Consumer Banking (Including Mortgages, Consumer Credit, Car Finance).
- Business Banking (Including Real Estate, Wholesale and Retail Trade, Agriculture).
- Corporate Banking (Including Real Estate, Manufacturing, Agriculture).

Scale of exposure



Context and relevance

- The Irish and UK governments are fully committed to the Paris Climate Agreement and to the implementation of the Sustainable Development Goals.
- Both countries, as well as the EU, have committed to becoming Net Zero by 2050.
- Using the Portfolio Impact Tool, it was assessed that the most relevant needs and challenges in both countries are: climate change, biodiversity, waste and resources and inclusive, healthy economies.
- Engagement with stakeholders through our materiality assessment also informed this.

The above shows the current composition of our €78.8 billion loan portfolio. In terms of portfolio mix, the Group has minimal direct exposure to fossil fuels in energy and extraction, and as a predominantly retail lending bank, we have approximately 70% of our customer lending in residential and commercial property and car finance.

Scale and intensity / salience

The outcome of our initial assessment points to employment, inclusive healthy economies, housing, health and sanitation and mobility as our primary positive impacts, while our negative impacts are in the areas of climate, resource efficiency and security, biodiversity & ecosystem, waste and soil.

For more information and to view our UN PRB Self Assessment Reporting Template, please visit: bankofireland.com/responsible-business

Enabling colleagues to thrive

Our increasingly digital world brings huge opportunities but also demands new skills for colleagues and across society. Unaddressed, the risk is that many will get left behind. We are committed to positive impact inside and outside the Bank, and will be a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base.

Digitally able
Employability
Inclusive development

We will focus on three areas - being **Digitally Able**, supporting **Employability**, and ensuring **Inclusive Development**.

Digitally able

To fulfil our ambition to be a digitally-enabled bank we will require an understanding of each colleague's skillsets and competencies to build an eco-system of learning supports keeping their careers future fit.

All colleagues have access to content that is focused on making them 'digitally fit' through our digital learning platform, which had 283,377 visits in 2020. Key programmes delivered included:

- The **Career Agility programme** is a twelve week programme helping colleagues to build cross-transferable skills across Personal Effectiveness, Business and Data Proficiency and the Fundamentals of Banking (2,000 registered colleagues).
- **Data Fluency & Project Management Pathway** is designed for all colleagues, encouraging a shift to 'digital first' and 'agile' mindsets and behaviours (Data fluency 1,000 registered and project management 1,500 registered).
- **The Digital Fitness Programme** will support and develop digital practices, tools, and ways of working via the implementation of a digital career platform and digital pathways in 2021.

Employability

Enabling colleagues, current and potential, to stay relevant and future fit in a world of work that is constantly changing and equipped with the skills they need to sustain their career.

In November 2020, the Bank of Ireland Academy was mobilised to provide every colleague with a Career Roadmap that is unique to their skills and capabilities, providing access to relevant learning pathways. To date, this has focused on:

- understanding current colleagues' experience of careers and an improved career journey, and
- using test-and-learn methodology to understand what a colleague requires for Digital Fitness Assessment.

We will further support career development with full implementation of a Digital Career Platform in 2021 which will give colleagues access to mentoring and the opportunity to access to supports and stretch assignments to improve skills.

In addition to providing specialist skills' programmes the Group also ensures all colleagues are supported in their ongoing development, by delivering core programmes to all People Managers and Leaders to enable them to create an environment where all colleagues will thrive. Key programmes delivered in 2020 included:

- ***You as a Manager:*** launched in 2019, and is our core Management Development Programme for all People Managers at Bank of Ireland. In 2020, 64% of our 2,300 People Managers started the programme. However due to the COVID-19 pandemic a 'pause and pivot' approach was required to prioritise focus on critical customer services, while supporting colleagues during the pandemic. The programme has since been remobilised to virtual delivery and will recommence for the first cohort in Q2 2021.
- ***You as a Leader:*** was launched in April 2020 to 350 Leaders from across the Group and is designed to help them to lead, grow, connect and be as effective as possible during COVID-19 and beyond. The focus for 2021 is to build Leaders' technical and digital acumen on leading technology and digital topics to enable more informed discussions and raise their technical skills and drive behavioural change to support our transformation.
- ***Developing You programme:*** this 10-week programme was tailored to manage the new pressures associated with COVID-19. It provided access to a range of development supports to meet individual needs in three key areas:
  1. Developing All Colleagues;
  2. Developing People Managers; and
  3. Developing Leaders.
- ***Bank of Ireland graduate programme:*** continues to have a strong reputation in the market, ranked top Banking, Investment and Financial Services' Employer in 2020 by GradIreland. We recruited 39 Graduates (M 51%, F 49%) to the 2020 programme in September, with significant excess demand at the application stage.

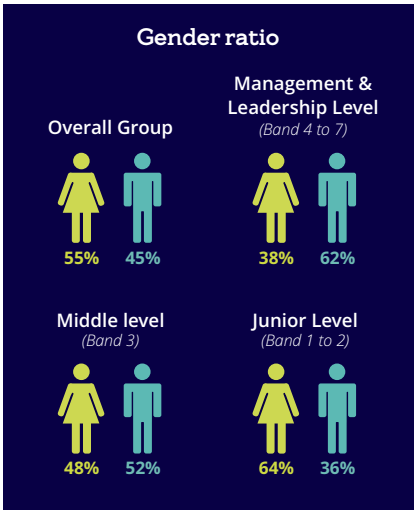
Related pages
CEO review (page 8)
Our strategy (page 13)

Inclusive Development

Our Inclusive Development approach commits to allowing every colleague to grow and develop as a person, as we build an inclusive workplace that is reflective of society and our customer base. Our Inclusion and Diversity strategy as well as our Colleague Wellbeing programme are the key elements of this approach.

Inclusion and Diversity
We aim to foster an inclusive and welcoming working environment for all – where everyone is able to reach their full potential – and to attract, promote and retain diverse talent at all levels. In 2020, an Inclusion and Diversity (I&D) dashboard was developed and all leaders had a mandatory I&D goal. In December 2020, we launched a confidential Self ID campaign to better understand and measure the diversity of our colleagues. We will use this data to inform the further development of our approach in this area. We currently focus on six key areas of I&D and each are supported by an employee network: accessibility, gender balance, intergenerational, multicultural, parents & carers and 'With Pride' (LGBT+).

We are committed to providing dedicated learning opportunities and pathways that will act as a catalyst for the careers of targeted colleague groups; progressing female talent or colleagues from ethnically diverse backgrounds. These are supported by elements in our core people development programmes to create the environment in which all colleagues will thrive.



Supporting colleague wellbeing during COVID-19

With up to 70% of colleagues working remotely for most of 2020, colleague wellbeing took on even more importance. The Colleague Wellbeing programme and app played a central role in supporting our colleagues' wellbeing through the challenges of the pandemic. 'Staying Healthy Together' was a way to support staff through the upheaval of their working year. Fronted by Karl Henry, it included activities to support Mental, Physical & Financial Wellbeing. In November, over 2,500 colleagues joined Karl, participating in a virtual Couch to 5k, and subsidised fitness classes were also available. We provided a Mental Health Awareness learning programme, including the rollout of Mental Health First Aid as well as subsidised and digitised GP services, live Zoom sessions and webinars. We also promoted the Employee Assistance Programme (EAP) which gives free access to confidential support by phone, web, live chat, or on the EAP app at any time. For those who wanted light relief, there was social entertainment; with live gigs, and virtual Bingo and Christmas fun for families.

- ***RISE Female Development Programme:*** delivered to 45 participants, supported by 17 qualified internal coaches offering 1:1 coaching to female colleagues.
- ***RISE Ethnic Minority Talent Programme:*** developed in partnership with Involve, this launched in late 2020 and is currently being delivered to 14 colleagues across the Group.
- ***External Programmes:*** in addition to our internal talent-development programmes, in 2020, our colleagues participated in external programmes from the Black Business Association (UK) and INvolve's 'Emerging Leaders' programme (Global).

Our primary target in this area is our 50:50 gender balance target for management and leadership appointments by end of 2021 including new entrants and promotions. In 2020, females represented 41% of Management and Leadership appointments (in H2, this was 47%).

Other initiatives / achievements in 2020:
- We partnered with Dublin City University to develop a Race Equality Guide for recruitment. This is the first in a series of resources we are helping to develop, so that workplaces in Ireland become equitable for all. We are also benchmarking our plans externally with 'Business in the Community's UK **Race-at-Work** Charter.
- We launched the **Reasonable Accommodations' Guide, Passport** and **Webinar** to assist colleagues and people managers understand when and why reasonable accommodations might be required. It is designed to remove or reduce barriers for colleagues who require workplace adjustments with their disability-related needs.
- We announced the first recipients of Bank of Ireland's Gold Sovereign Award for leaders in society who are actively promoting Inclusion and Diversity.
- Bank of Ireland won the Northern Ireland Equality & Diversity Award for 'Best Large Employer for Equality and Diversity in NI', Best LGBT+ Employee Resource Group at the Irish Gay and Lesbian Awards (GALAs), and was joint winner of the Champion Diversity & Inclusion Strategy at the Irish HR Champion Awards.

Colleague Wellbeing
In 2020, we focused on the evolution of the new Colleague Wellbeing programme (launched in late 2019), and this became increasingly important in the face of COVID-19. The programme focuses on three aspects of wellbeing: mental, physical and financial, with an added element of 'social wellbeing' introduced to respond to the challenges of pandemic restrictions.

In February 2020, we launched a bespoke Bank of Ireland Wellbeing App and Portal for colleagues, now with over 6,000 colleague registrations. This was supported by an Instagram page for community and networking which saw more than 2,000 members. The impact of the Colleague Wellbeing programme is measured through our regular 'Open View' surveys with 68% of colleagues feeling the organisation is sufficiently supporting their health and wellbeing in the current environment (November 2020).

Enhancing financial wellbeing

Bank of Ireland launched its Financial Wellbeing programme in 2019 to support consumer financial capability and confidence. It is now one of the three pillars of our RSB Strategy, with an increased focus on Financial Inclusion.

Key 2020 achievements

- **c.60K** financial healthchecks completed
- **Financial Wellbeing Index** at 66 (+5 vs Feb 2019)
- Over **100,000 customer** payment breaks provided
- Enhanced **Senior & Vulnerable** supports for over **10k customers** in response to COVID-19
- Over **50%** of Irish Secondary Schools participated in **Youth Financial Literacy**

Capability
Inclusion
Confidence

Through our Financial Wellbeing programme, we aim to empower people to thrive financially by enabling them to make better financial decisions for themselves and the people that matter most in their lives - their family, their business and in their community. We aim to build customers' capability and confidence when managing their finances and we use behaviourally-informed insights to drive positive outcomes for them.

We will be inclusive in our approach recognising the diverse financial challenges that many in society face. We will be the leading voice for financial wellbeing in Ireland.

As part of our Financial Wellbeing Strategy we have set out three priority areas:

- **Financial capability -** Enabling people to know and do more.
- **Financial inclusion -** Protecting our most vulnerable customers and those experiencing difficult circumstances.
- **Financial confidence -** Enabling people to make better financial decisions.

Financial capability

Financial Wellbeing Index

We regularly check the financial pulse in Ireland through our Financial Wellbeing Index. This is based on a national survey that asks questions across four key topics that relate to people's finances - saving, spending, borrowing and planning. The answers are combined into a score on a scale of 0-100 which indicates whether a respondent is 'struggling', 'stretched', 'managing' or 'thriving' when it comes to managing their finances.

Results of the most recent survey (October 2020) show that Ireland has a national average Financial Wellbeing score of 66 (+2 compared to February 2020 and +5 since the initial measurement in February 2019).

The research suggests that the COVID-19 pandemic continues to affect everyone financially, and crucially, it is likely to be widening the gap between those who have high financial wellbeing scores and those who don't. We have used the research insights to develop our Financial Wellbeing strategy further, and direct our focus to the areas most needed.

Financial literacy

Improving financial literacy is a central aspect of building financial capability and Bank of Ireland offers useful tools and education in this area:

- Online Financial Wellbeing Centre – provides advice, guidance and articles as well as a free online financial healthcheck for consumers and businesses so they can assess their own financial wellbeing. Users receive a financial wellbeing score and targeted financial wellbeing tips. In 2020, c.60,000 people completed the financial healthcheck.
- Financial Wellbeing Needs' Review – redesigned in 2020 with a more user-friendly and holistic approach to customers' personal and business finances; including their current financial needs and future goals. In 2020, almost 32,000 people and over 13,000 businesses' completed a Financial Needs Review with Bank of Ireland.
- Financial Wellbeing Coaches – provide expert advice through community groups and workplaces on the key financial wellbeing topics of saving, spending, borrowing and planning. Due to the pandemic these talks are now delivered through online webinars with over 350 delivered by our Coaches in 2020.

Youth Financial Wellbeing

We developed a Youth Financial Wellbeing programme that is available in-classroom for primary and secondary schools, and also for parents to introduce the concept of 'financial wellbeing' to their children at home. In this, we offer a range of supports for schools and parents to help them teach children and students about the importance of financial wellbeing.

Primary, secondary and third–level supports

In primary schools, we have developed and launched a financial literacy initiative, 'Talking Cents'. This programme supports both parents and teachers to help children to understand the concept of money, its uses, and to learn about planning, spending and saving. The programme takes a child-centric approach and is split into six easy-to-follow money lessons. This programme is available for free to all 3,000 primary schools in Ireland.

Related pages
CEO review (page 8)
Our strategy (page 13)

The VCU showed sensitive and caring support from the onset of the pandemic

We quickly mobilised the VCU to take swift action by prioritising support offered to the Bank's elderly and vulnerable customers. One human story is that of an elderly couple in a West of Ireland nursing home, whose only contact with the outside world was their niece visiting weekly after collecting their pension in cash at the Post Office. With no bank account, she paid bills and ran errands for them. Sadly, this could not continue when the nursing home went into lockdown and their niece had to cocoon due to a pre-existing condition. She had the foresight to call our Freephone number after hearing Bank of Ireland was offering COVID-19 supports; and we were pleased to set up a bank account for the elderly couple within days – allowing pensions to be diverted and the nursing home standing order to be paid. The elderly couple passed away within a short time of each other some months' after. We were again contacted by their niece and stepped in again, sorting all funeral bills and expenses in days. The VCU was humbled to get a letter of thanks for showing sensitivity and caring in their efforts to help at a difficult and traumatic time.

In secondary schools, some of the initiatives included:

- *Virtual financial literacy* – four online presentations delivered by Bank of Ireland's Youth Coordinators which focused on the six pillars of financial wellbeing: Spending and Saving; Earning and Income; Credit and Debt; Investing; Risk and Protection; and Financial Decision Making.
- *School Bank* – a bank run by students for students.
- *Practical Workshops* – two workshops focusing on CV and interview skills, and starting a new business.
- *Money Smarts Programme* – a free financial education programme comprising financial literacy content, workshops and events designed to provide students with financial skills. Since the pandemic began, this programme was delivered virtually by our Youth Coordinators, with 10,000 students taking part in the programme in 2020.
- Third Level – catering for changes in third-level students' learning habits, we launched a number of financial-wellbeing videos on YouTube, featuring key influencers.

Financial inclusion

Protecting our most vulnerable customers, including those experiencing difficult circumstances, is a key part of our financial wellbeing commitment. 2020 provided a challenge to everyone in society, but vulnerable customers faced even steeper challenges than others.

In 2019, we launched the Vulnerable Customer Unit (VCU) to protect and support the financial wellbeing of customers in vulnerable circumstances.

The VCU played a central part in our response to the pandemic, during which new dedicated supports were launched for vulnerable customers. Bank of Ireland announced a new service designed to help customers self-isolating during the COVID-19 pandemic – including older customers and those in difficult situations – access cash for groceries and other day-to-day expenses. This cocooning support included priority hours and a dedicated phone line for over 65s and carers.

Other initiatives introduced to support Financial Inclusion in 2020 included:

- **JAM (Just A Minute) Card:** the JAM Card© allows people to ask for a moment of patience in any situation they might need it; including in banks, shops, restaurants or on public transport. So far over 2,000 staff have been trained on the JAM Card which includes online Disability Awareness Training, and over 3,000 JAM Cards have been distributed across our network, with most people preferring to use the JAM Card App.
- **Carers' Debit Card:** the Carers' Debit Card provides a safe and secure way for trusted relatives and friends (or other designated carers) to manage the day-to-day living expenses of those who are in their care. So far over 620 customers have applied for the carers' card.
- **Vulnerable Customer Resource Centre:** provides a one-stop-shop for colleagues' dealing with a vulnerable customer, with useful information and advice, on key topics.
- **Begin Together Fund:** funding was awarded to eight Financial Wellbeing-specific projects, to groups such as: vulnerable women, migrants, disadvantaged young people and people with learning difficulties. These projects were hands-on and practically helped people to better understand and manage their personal finances. For more information on our Begin Together Fund (see page 40).

Financial confidence

Financial confidence is about enabling people to understand their financial position and make better financial decisions.

Fraud awareness campaign

Bank of Ireland's fraud awareness campaign highlighted tactics deployed by criminals when tricking customers into giving their banking details. The campaign included emails and letters to customers - reinforced through a social media campaign and extensive fraud advice on www.bankofireland.com/security-zone.

Later in the year, a broadcast and print campaign was also developed.

The volume of smishing has increased significantly over some years, i.e. where fraudsters gain access to confidential information so as to move quickly to extract customers' funds. The Bank works very closely with national and international authorities to combat fraud, and to recover all or part of the stolen funds, allowing customers to be reimbursed.

COVID-19 supports

In response to the COVID-19 Pandemic, we introduced a comprehensive range of supports for customers which included:

- mortgage and personal loan payment breaks for customers whose income was impacted by the pandemic. With over 100,000 payment breaks granted to personal and business customers across Ireland and the UK; and
- quicker access to savings for accounts that required seven-day notice period for withdrawal.

Supporting the green transition

Combating climate change is one of our greatest challenges as a global society.

In 2015, the Paris Agreement set out the global ambition of keeping warming well below 2 degrees Celsius, with the support from nations across the globe. Now, we are looking forward to the 26th UN Convention of the Parties (COP26), with many countries, including Ireland and the UK, having set Net Zero by 2050 ambitions. Regulators and investors are increasingly engaging on this, challenging businesses to make similarly ambitious commitments.

At Bank of Ireland, we understand the important role we can play in tackling climate change. We are committed to working with our customers, colleagues and communities to support their transition to a resilient, Net Zero economy by 2050.

To put this commitment into action, over the coming years, the Group will implement a 5-point plan which lays out a clear framework under which we will build on our progress to date and will continue to play our role in supporting the transition to a low-carbon economy.

The Group has committed to supporting customers and businesses in their move to environmentally sustainable solutions, to setting science-based targets across its portfolios by 2022 and to build the Group's own resilience by further embedding climate-related impacts in decision making processes for the Group's operations, in lending and investment decisions and the advice provided to customers.

Our five point plan:

1 Set science-based targets

Set our portfolios and lending practices on a pathway aligned with the Paris Agreement and commit to setting science-based targets across our portfolios and operations by the end of 2022.

2 Provide sustainable financing

Support our customers through our core financing and advisory capabilities to enable them to transition to Net Zero and develop and deploy low carbon technologies.

3 Decarbonise our own operations

Make our own operations Net Zero by 2030.

4 Manage climate related risks

Build our own resilience by embedding climate-related impacts in our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers.

5 Transparently report our progress

Commit to transparently report on the progress we are making towards our ambitions, and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

Related pages

CEO review (page 8)
Our strategy (page 13)
Risk management report (page 138)

Key 2020 achievements

1. Set science based targets

In 2020, we took steps to further understand our carbon emissions across our material portfolios by calculating a high-level emissions baseline across our lending book. Our assessment found that our emissions footprint varies across the portfolio with relatively low contribution from energy-related industries and higher contributions from property, transport and agriculture. Understanding our baseline emissions will enable us to set meaningful Science Based Targets before the end of 2022. In 2021, we will complete our emissions baselining in line with the SBTi's methodology.

2. Provide sustainable financing

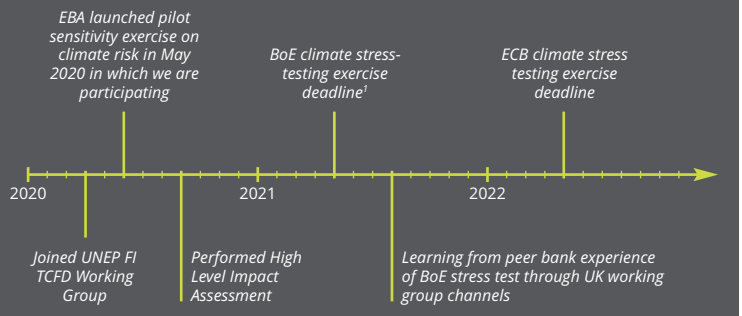
In June 2020, we added €1 billion to the Sustainable Finance Fund which we launched in 2019 and in September 2020 we released our Green Bond Framework, fully aligned to the ICMA Green Bond Principles.

3. Decarbonise our own operations

In 2020 we achieved our commitment to switch to 100% renewable electricity in Ireland and the UK. We are also proud to have also achieved a 77% reduction in carbon emissions intensity (on a 2011 baseline) across our Scope 1 and 2 emissions.

4. Manage climate related risks

We have begun progressively embedding climate risk into the Group's key risk processes throughout 2020. We continued to develop our own internal climate scenario analysis and stress testing capability in line with emerging industry methodologies and platforms through our membership of the UNEP FI TCFD Working Group. The timeline below shows where we are on this journey as we work towards the European Central Bank (ECB) Climate Stress Testing exercise set to take place in 2022.



5. Transparently report our progress

In 2020, we became a supporter of the TCFD, following on from becoming a signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles of Responsible Banking (PRB) in 2019. This report sets out our action on climate to date, and our plans for future years.

Our TCFD report is presented in the following pages.

[1] *Bank of Ireland not in scope of BoE Stress Test.*

TCFD report

Governance

Incorporating climate change into Board-level decision making.

Ultimate oversight of climate-related risks and opportunities is at Board-level. In 2020, this oversight has been provided in two ways:

- review and approval of our climate strategy, one of three pillars of our overall RSB strategy; and
- consideration of climate risk implications across our portfolios.

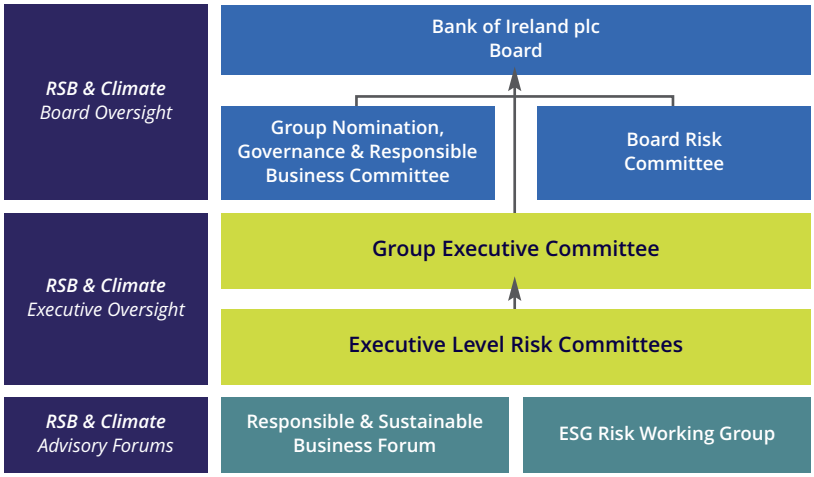
In December 2020, the Board approved our climate strategy, which sets out our climate ambition and five point plan for action on climate. The NGRB committee, of which our Group Chairman is Chair, has overall responsibility for climate as part of its remit in overseeing the Group's RSB Strategy. It also monitors the Group's progress towards implementing the UN Principles for Responsible Banking.

The Board Risk Committee has oversight of climate risk as a transverse risk driver, through the Group Risk Framework. The Group recognises that climate change can drive increased risk across key financial, non-financial and strategic risk types. Each key risk owner is therefore required to consider the effect climate change will drive for their risk and to integrate climate risk management within their individual risk frameworks. In September 2020, the Board Risk Committee was updated on the progressive integration of climate into risk management processes and considered an initial assessment of the impact and implications of climate risk across our credit portfolios, highlighting key areas of focus and sensitivity.

In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally. The CSO regularly updates the NGRB on climate-related matters. The Board will also be taking part in climate-change training in 2021. The Group Audit Committee reviews climate-related financial disclosures as part of its wider role in reviewing our Annual Report and Accounts.

The role of management committees

The Group Executive Committee (GEC) has overarching responsibility for delivery of the Group's RSB framework and strategy, of which climate change is one of three pillars. Members of the GEC include the Chief Financial Officer (CFO) and Divisional Chief Executive Officers (CEOs) who have been actively involved in shaping the Group's Climate Strategy. Specific GEC responsibility for RSB (including climate) has been delegated to the CSO. The CRO has overseen the development of an overarching ESG Risk Framework (incorporating climate risk) which was approved by the executive level Group Risk Policy Committee.



The Responsible and Sustainable Business Forum (RSBF) is an advisory body to the CSO. It consists of senior business and functional executives from across the Group and enables the Group to have a coordinated approach to both delivery and reporting of the Group's RSB framework and strategy to the GEC. The RSB team is responsible for developing the Group's RSB framework and strategy and supporting its implementation and delivery in all divisions across the Group. The team sits within the Group Strategy function and reports to the CSO.

Climate risk responsibilities extend across the organisation, based on a 'three lines of defence' approach, in line with the Group Risk Framework.

As climate risk impacts through existing risk channels, it requires a matrix approach and integration across multiple risk frameworks. With co-ordination from Enterprise Risk Management, Risk Owners are integrating climate into existing risk control frameworks, policies and strategies. Within Group Risk, an ESG Risk Working Group has been established to bring together second-line risk management from across key risk types (with the RSB team) to support an integrated approach to ESG management and climate-related risks within the Group.

Incorporating climate change into performance

To encourage behaviour consistent with the Group's RSB Strategy and risk approach, performance indicators are linked to successfully achieving the Group's RSB-related objectives; including those associated with climate change. These will be considered in 2021, as part of our balanced scorecard performance assessments.

Our vision for future oversight

Going forward:

- the NGRB Committee will oversee the implementation of our climate change action plan, which includes our progress on setting and monitoring SBTs (and any other associated targets).
- Group Risk will report on climate-related risks; including KPIs and progress against targets, to the Board Risk Committee and Board through the following channels:
  - the risk identification process;
  - the internal capital adequacy assessment process (ICAAP); and
  - ESG and climate risk monitoring and impact assessments.

TCFD report *(continued)*

Strategy

As a signatory to the UN's Principles for Responsible Banking, we have committed to aligning our strategy and practice with the Paris Climate Agreement. In 2020, we defined our climate strategy, incorporating our five point plan.

Identifying key risks and opportunities to our business

We recognise that climate change presents both risks and opportunities to our business model and strategy. We see these emerging through three key channels:

1. **Business opportunities** arising as economies and customers transition to a low-carbon economy;
2. **Transition risks** arising from potential disruptions and shifts associated with the transition to a low-carbon economy; and
3. **Physical risks** relating to potential financial implications from physical impacts of climate change which could disrupt the business, operations, or supply chains of the Bank and its customers.

The Group recognises that both climate risks and opportunities will impact on its business model over short, medium and long-term horizons and that the materiality of these impacts should be considered in the Group-wide Climate Strategy. The chronology of this process and how it aligns with our five point plan is set out on top of the next page.

The Group has already begun to provide sustainable products and we are seeing an increase in demand from our customers.

The Group has committed to supporting customers and businesses in their move to environmentally sustainable solutions, by setting science-based targets across its portfolios and to build the Group's own resilience by embedding climate-related impacts in decision making processes for the Group's operations, in lending and investment decisions and the advice provided to customers.

Further detail on transition and physical risks and the processes we are developing to manage these can be found in the Risk Management section on page 34.

Setting our portfolios and lending practices on a pathway aligned with the Paris Agreement

In developing the strategy, a core element has been determining the best approach to ensuring our portfolios and lending practices are on a pathway aligned with the Paris Agreement. We have carefully considered emerging frameworks and evolving market practices to ensure that the approach we adopt is fit for purpose and credible. For these reasons, the Group has elected to commit to setting Science-based Targets and using the methodology that has been developed for financial institutions as a framework to guide our actions. We believe this approach (to align our lending with the Paris Agreement) will inform both the development of new sustainable finance products as well as our approach to managing climate risks.

Evolving our products in line with risks and opportunities

To support our customers' transition to a low-carbon economy, the Group launched the Sustainable Finance Fund (the 'Fund') in July 2019 and in doing so became the first bank in Ireland to introduce a green mortgage. An additional €1 billion was added in June 2020 bringing the total amount of the Fund to €2 billion. The Fund supports our customers on their low carbon journey by encouraging and rewarding energy efficient homes; and SME and agri investment in energy efficiency.

Initiatives associated with the Fund include the Green Mortgage Fixed Interest Rate, which is a rate discount for borrowers who may be buying or building energy-efficient homes, and a green home-improvement loan for energy-efficiency improvements. We have also introduced lower interest rates for investment in energy saving improvements for businesses. There has been significant uptake with over €950 million drawdowns from the Fund to date.

In September 2020, we released our Green Bond Framework which enables the Group to issue Green Bonds, the proceeds of which are used to finance and / or refinance projects across renewable energy; green buildings; and clean transportation. This framework is fully aligned to the ICMA Green Bond Principles.

Using scenario analysis to understand the resilience of our business

The Group is already on its way to assessing resilience to climate-related risks. During 2020 we commenced the development of our internal climate scenario analysis and stress testing capability, in line with emerging industry methodologies and platforms. Through our involvement in the UNEP FI TCFD Working Group and other industry fora, we have been deeply engaged with these methodologies and their development.

As these methodologies continue to develop, we will be progressively drawing on our scenario analysis to inform strategic planning; providing insight to our corporate strategy, business model and financial plans.

We have used outputs from initial methodology developments in 2020 to develop an initial impact assessment to inform considerations in formulating our climate strategy. This analysis identified that as a predominantly retail bank we are not heavily exposed to certain carbon-intensive industries. The table on the next page shows risks and opportunities we have identified to date across our material portfolios and the impact they have on the business. As part of our commitment to setting SBTs we are now exploring strategic levers linked to opportunities.

Further detail on how we have assessed climate-related risks using scenario analysis can be found on page 36.

Related pages

CEO review (page 8)
Our strategy (page 13)
Risk management report (page 138)

Risk identification and materiality assessment

Our first step has been to identify and quantify material risks to the business. In identifying these we have also begun to map these to opportunities. The table below shows the key risks and opportunities identified across our portfolios with the most material lending exposure, and the associated impacts to our business.

Further detail on this risk identification process can be found on page 34.

KPI and target setting on material portfolios

In line with Action 1 of our 5 point plan:

In 2021, we will begin to integrate climate KPIs into our RSB strategic planning framework with a view to making achievement of the strategy measurable. These KPIs will be in line with the approach taken by peers.

In line with the SBT Initiative, for key portfolios, respective targets, and time horizons will be set and progress tracked and monitored against interim targets.

Identification of strategic levers and risk mitigation activities

In line with Action 4 of our 5 point plan:

We have begun to engage teams across our business to identify strategic levers and risk mitigation activities.

We will develop and disclose on these levers leveraging the KPI and target setting exercise ensuring that we have the tools and controls necessary across the business to evolve as the economic landscape transforms.

Seizing strategic opportunities

In line with Action 2 of our 5 point plan:

We have already launched a number of Green Products linked to climate change (as outlined on page 32).

As we identify further strategic levers, our suite of products will evolve in line with market trends, ensuring that we are offering leading Green products to our customers.

Lending portfolio[1]	Transition risks & business impacts in the medium to longer term	Physical risks and business impacts in the longer term	Opportunities in the short to mid-term
Mortgages and property and construction finance Mortgages loan exposure: **€45.0 billion** Property and construction loan exposure: **€8.6 billion**	Potential reduction in certain property values due to increasing move towards higher energy efficiency in properties	Potential reduction in certain property values due to increasing risks of floods and other destructive weather events	Green Mortgages; Lending for Property Energy Efficiency Retrofits; Green Bonds
Consumer car finance Loan exposure: **€2.7 billion**	Potential reduction in residual values on petrol / diesel cars due to market shift to EV cars	Increased potential for damage to assets due to extreme weather events	Lending for transition to EV Cars; Affordable EV leasing; Funding charging infrastructure; Green Bonds
Non-property SME & corporate lending Loan exposure: **€19.9 billion**	Increased carbon costs and ability of business models to transition to green economy	Risk to business and agriculture from increased weather disruptions, flood propensity and coastal erosion	Funding for Infrastructure Projects; Green Business Loans for Energy Efficiency; Green Bonds

Taking action in our own operations

During 2020, we took a number of actions in order to reduce Bank energy consumption and climate-related impact within our operations. Key actions taken were:

- 100% Renewable Electricity for Ireland and the UK operations. We remain focused on reducing our kWh consumption of green energy to ensure we manage this finite resource responsibly.
- Upgrades to our Data Centre facilities to improve energy efficiency.
- LED lighting upgrades across our branches and IT Centres.
- Improved ability to track unplanned and unpredictable energy consumption.

We will seek to further embed climate selection criteria to reduce Scope 3 emissions across our supply chain.

Priorities for disclosure in 2021

- Progress against our five-point climate action plan.
- Associate our identified risks and opportunities with specific time horizons.
- Link our risks and opportunities to Key Performance Indicators.
- Develop our scenario analysis capabilities to further inform our risk management, opportunity identification and results' disclosures.

[1] *Excluded from the lending portfolio is consumer lending not related to car finance of €2.6 billion.*

TCFD report *(continued)*

Risk management

We are committed to supporting our customers' green transition while building Group resilience. We do this by embedding climate-related impacts in key decision-making processes.

Climate change is a risk driver that intensifies impact within existing risk types. As such it is not a new risk and we are managing climate change already in a variety of ways as it emerges. However, recognising the increasing importance and impact that climate change will have on our business and on our customers, we have designated climate risk (as part of ESG) as a transverse risk driver and recognised it in our Group Risk Framework. This allows us to apply a climate risk lens across the management of all our key risk types.

As a systemic and persisting risk to the Group's business model, we have detailed how it will be managed across our key risk types in a dedicated ESG Risk Framework. This framework will develop and evolve over a medium-term timeframe, and guide deepening integration of ESG and climate risk management into existing key risk management processes over annual planning cycles.

Regulatory developments

During 2020, there has been growing regulatory focus and momentum on climate risk management. In the EU, the European Central Bank (ECB) released guidance on how banks should manage climate-related and environmental risks in November 2020 and confirmed that it will conduct a supervisory review of banks' practices and a climate stress test exercise in 2022. In the UK, the Prudential Regulation Authority (PRA) issued guidance on how banks should manage climate-related risk in 2019, with the expectation that this will be embedded by the end of 2021.

Integration of climate risks at a Group level

We define ESG risk as the risk to value arising from an Environmental (including climate change), Social or Governance event or condition that, if it occurs, could cause an actual or potential material negative impact on:

- the Group's earnings, franchise value or reputation;
- the long-term sustainability of our customer's operations and financial wellbeing; and
- the communities and environment in which we and our customers operate.

Furthermore, in line with the ECB's guidelines on climate-related and environmental risks and the recommendations of the TCFD, we define two key sub-categories of climate related risks and environmental risks that impact our business. These are the risks associated with the transition to a low-carbon economy and from climate-related physical events.

Transition risks are risks arising from potential disruptions and shifts associated with the transition to a low-carbon economy which include:

1. **Policy and legal risks** (e.g. imposition of a carbon tax, climate-related litigation).
2. **Technology risks** (e.g. old technology replaced by cleaner technology).
3. **Market demand / supply risks** (e.g. changing consumer behaviour).
4. **Reputational risks** (e.g. reduced client satisfaction of companies with a reputation of harming the climate).

Related pages
CEO review (page 8)
Our strategy (page 13)

Physical risks are risks related to potential financial implications from physical phenomena and associated climate trends which disrupt operations, supply value chains or damage property. These include:

1. **Chronic risks** (e.g. long term trends – extreme weather events, chronic weather patterns, sea level rises, temperature changes, etc).

2. **Acute risks** (e.g events such as floods, storms, water stress, resource scarcity, biodiversity loss, pollution, fires, heatwaves or droughts).

Both transition and physical risks can affect the creditworthiness of our customers and the stability of our lending portfolios, as well as the value of assets in the medium to long term.

These climate risk drivers can intensify risks to the Group, impacting across existing key risk categories including, but not limited to:

- **Credit risk:** increased costs associated with physical and transition risks may impact financial soundness of households and businesses reducing their ability to service debt and impairing asset values, resulting in financial loss to the firm through higher probability of default and higher losses given default.
- **Operational risk:** physical risks could impact continuity of the Group's operations or operations of its material suppliers resulting in sustained disruption of the supply chain and ultimately our ability to service customers.
- **Reputation risk:** customer, community and regulatory expectations of the Group's contribution to support transition to lower-carbon economy resulting in loss of business.

Climate risk responsibilities extend throughout the organisation based on a 'three lines of defence' approach in line with the Group Risk Framework.

The Chief Strategy Officer, advised by the Responsible & Sustainable Business Forum, acts as sponsor to ensure that climate risk is integrated into the Group's risk management processes in the 'first line of defence'.

With central support from Enterprise Risk Management, second-line Risk Owners are progressively integrating climate risk considerations into key risk management policies and control frameworks.

Identification and assessment of climate-related risks

Guided by the Group's ESG Risk Framework we have begun progressively embedding climate risk into the Group's key risk processes.

Risk identification: On an ongoing basis through its risk management frameworks and processes, the Group identifies and assesses risks to which the Group is exposed, including climate risks. Climate risk is being integrated into this process as a driver of existing risk types and due to the longer timeframes associated with climate impacts, a short, medium and long-term horizon as laid out below is being applied to the consideration of impacts.

Our timeframe for climate-related risks

Short term: less than 3 years
Medium term: 3-5 years
Long term: more than 5 years

The Internal Capital Adequacy Assessment Process: Consideration of climate risk will be embedded in key processes where investment decisions are made and the level of climate risk being taken is material. The Internal Capital Adequacy Assessment Process (ICAAP) is a key planning process for the Group and facilitates the Board and senior management in identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. For further information on ICAAP refer to page 185. Work is ongoing to integrate climate considerations into ICAAP, particularly through scenario planning and stress tests (see page 36).

Risk measurement and monitoring: Methodologies are in development to allow climate risk to be actively analysed, measured and monitored by the Group in a similar manner to other key risk types.

These methodologies are being developed collaboratively with peer institutions by engagement in industry initiatives (such as the UNEP FI TCFD Working Group, climate-focused European Banking Federation Working Groups and the EBA Climate Sensitivity Pilot) with a view to working towards the 2022 ECB climate stress testing exercise.

Examples of potential climate KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators) under consideration for monitoring purposes include:

- exposure to industry sectors and/or geographies considered highly sensitive to climate-related risks;
- the carbon emission footprint of lending portfolios;
- levels of sustainable financing; and
- scenario analysis outputs.

Further detail on how we are defining metrics and targets can be found in the Metrics and Targets section on page 38.

Risk appetite: Aligned with our strategy to align our portfolios and lending practices on a pathway to the Paris Agreement, Risk Appetite metrics will be set in due course consistent with the achievement of our science-based targets across our portfolios and operations.

Assessing climate risks across our portfolios

During 2020, we carried out an initial scoping assessment to understand potential climate risk impacts across our lending portfolios and to determine a baseline position, by leveraging emerging methodologies available at the time:

1. We assessed transition risks across our corporate and SME lending books, with a heatmap based on Transition Check, a modelling framework developed by Oliver Wyman. The transition heatmap was co-created with input from 39 banks (including BoI) through the UNEP FI TCFD program and we used it to classify our lending books at a granular sub-sector level. This exercise generated insights into how climate-sensitive sectors may be impacted during transition to a low carbon economy.
2. We analysed the main physical and transition risks specific to our UK Mortgage portfolio with the EnviroTech company Landmark (see case study below).
3. Informed by this and other supporting analysis, we assessed physical and transition risks to portfolios identified as material: property & construction, residential mortgages and car finance lending portfolios.
4. We assessed the baseline carbon emissions of our lending portfolios to understand our emissions impact and exposure.

This assessment of the Group's lending portfolios identified emerging key focus areas such as residential and commercial property lending and car finance. It also highlighted that the Group's direct exposure to fossil fuels and to commercial lending segments with high emissions is relatively low (with the exception of the agricultural sector, which due to its specific challenges will require broader support and in which we will play an active role). On a case-by-case basis, exposure to climate risk will vary across sectors for commercial customers and transactions. To mitigate this risk, enhanced ESG procedures have been incorporated into the Corporate Banking credit policy and credit framework in February 2021, and are being rolled out in H1 2021.

Landmark mortgage assessment: a deep-dive on our initial climate risk analysis of the UK Mortgage Lending portfolio

In 2020, in our initial climate risk scoping exercise we undertook analysis on the UK residential mortgage portfolio which makes up 28% of group lending. Working with Landmark, an EnviroTech innovator with access to detailed property information, we identified and analysed the main physical and transition risks specific to our UK mortgage portfolio.

The assessment focused on identifying and analysing the key physical risks and transition risks at a property level. Key physical risks identified and analysed were the risk that certain properties could reduce in value due to frequent flooding, coastal erosion, or subsidence, with the geographic data accurate to a five metre radius around an individual property.

The key transition risk identified was the potential loss in value of certain properties due to lagging energy efficiency or owners required to retrofit, incurring large costs. Portfolio impacts from physical risks and energy efficiency deficiencies were identified as two potential key risk measurement metrics.

An indicative aggregate portfolio impact of this transition risk was estimated, using an assumed cost to upgrade all properties to a future level of acceptable energy-efficiency. This was translated from a property specific impact on Loan to Value (LTV). Portfolio impacts from the physical risk drivers was also assessed under four scenarios and the likelihood of individual properties being uninhabitable or uninsurable.

See table below for a summary of the scenarios used to examine this physical risk.

As this capability is established and further developed, the assessment will be run on an ongoing basis to inform scenario planning and monitoring of the portfolio composition to ensure no undue concentrations.

During 2021, we plan to further develop our property capabilities to undertake similar risk assessments for Commercial Real Estate and our RoI Mortgage portfolio as data availability in these lending sectors develops.

#	RCP[1]	Emissions scenario illustration	Increase in temp by 2100
1	RCP2.6	Significant global reduction	1.4 - 3.2°C
2	RCP4.0	All countries implement Paris Accord	2.1 - 4.2°C
3	RCP6.0	All signatories implement Paris Accord	2.5 - 4.7°C
4	RCP8.5	Business as usual	3.4 - 6.2°C

Priorities for disclosure in 2021

Provide ongoing updates on the:

- integration of climate risk into key risk management processes;
- development of our climate risk mitigation activities and disclose these alongside our identified risks; and
- development of our scenario analysis capabilities to further inform our risk management, strategic planning and opportunity identification.

[1] *Representative Concentration Pathways (RCP) for greenhouse gas concentration trajectories adopted by the IPCC (Intergovernmental Panel on Climate Change). The pathways describe different climate futures, all of which are considered possible depending on the volume of greenhouse gases (GHG) emitted in the years to come.*

TCFD report *(continued)*

Metrics and targets

Climate-related metrics and targets across our portfolios

The Group has committed to aligning our lending portfolios on a pathway to the Paris Agreement and reducing the carbon emissions that we finance.

This portfolio alignment will additionally build resilience against climate-related risks as we progressively embed climate-related considerations into our lending strategies.

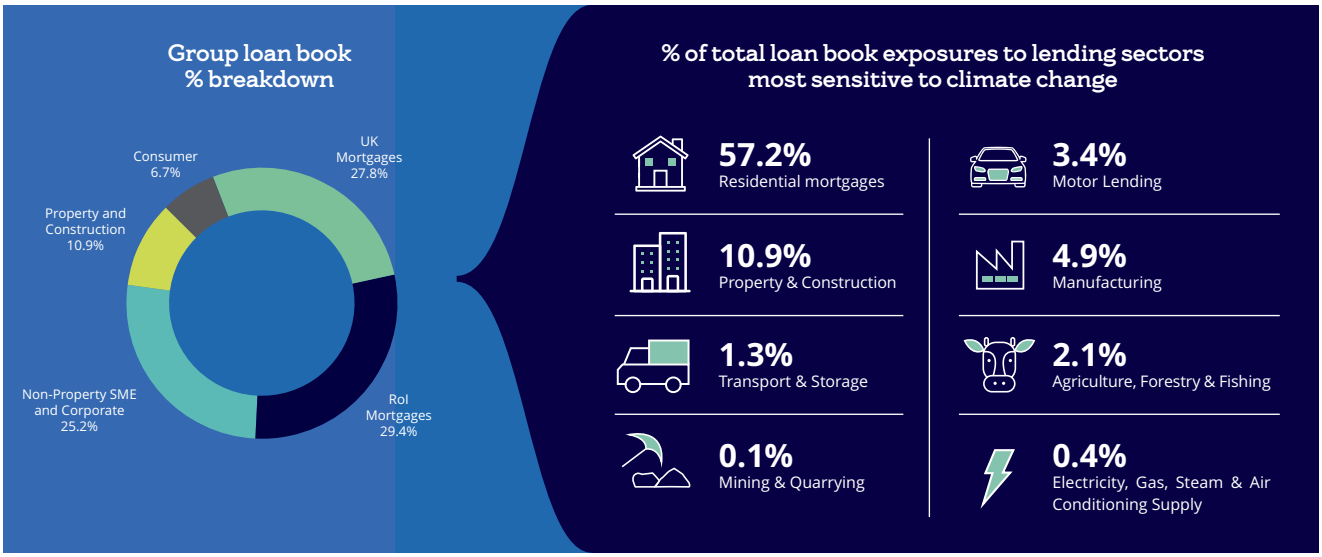
In 2020, we established indicative baseline emissions for our total loan portfolio based on the Partnership for Carbon Accounting Financials (PCAF) methodology, and in 2021 we will refine these baseline figures to more accurately assess our wider impact across our sub-portfolios.

Informed by our initial impact assessments in 2020 based on developing UNEP FI methodologies, the Group identified activities and assets exposed to climate-related risks and has begun to develop measures of potential financial risk impacts. Informed by these analyses, the Group loan book breakdown table on page 39 shows the current composition of our loan portfolio and the percentage of lending to sectors the Group considers most sensitive to climate change. In terms of portfolio mix, the Group has minimal direct exposure to fossil fuels in energy and extraction, and as a predominantly retail lending bank, c.70% of our customer lending is in residential and commercial property and car finance. This sees the key risk mitigation strategy relating to supporting our customers' transition to the green economy with sustainable financing to improve the energy efficiency of their properties, vehicles and business operations and adapting to climate change through, for example, flood protection measures at a property or community level.

A key element of the Group's RSB commitments is the publication and achievement of targets. In 2021, we will begin to integrate climate KPIs into our RSB strategic planning framework with a view to making achievement of the strategy measurable. In line with the Science Based Targets Initiative, for key portfolios, respective targets, and time horizons will be set and progress tracked and monitored against interim targets. These activities form the foundation of future risk analysis and target setting activities, leading to mitigating activities to help reduce risks to the Group in the future, as well as to improve the Group's impact on the external environment. An initial set of metrics for climate-related risks is in development to support the setting of relevant targets and controls to track progress against our strategy and to allow for related disclosure. All metrics and targets will be developed in line with the Science Based Targets methodology to ensure consistency, accountability and achievability, and will be cascaded down to the Business Units.

Related pages
CEO review (page 8)
Our strategy (page 13)

With c.70% of customer lending to mortgages, property lending and car finance, the Group has negligible direct lending exposure to fossil fuels and limited exposure to high carbon-intensive industries.



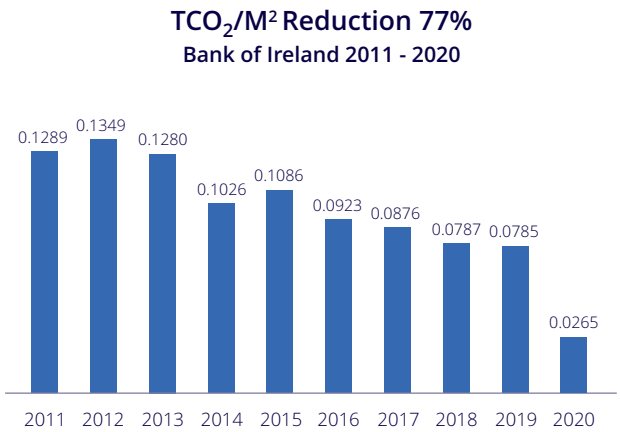
Climate-related metrics and targets in our operations

In May 2018, we signed up to Business in the Community Ireland's (BITCI) Low Carbon Pledge and committed to reducing our carbon emissions intensity (Scope 1 and 2) by 50% by 2030. We have now met this target having achieved a 77% reduction in carbon emissions intensity (on a 2011 baseline), using m2 as intensity metric (in absolute terms we have achieved an 82% carbon emissions reduction) as illustrated in the graph below. As part of our new action plan, we have now committed to making our own operations Net Zero by 2030.

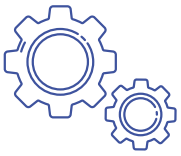
We recognise that the climate impact of our operations goes beyond carbon emissions from fuel consumption and electricity purchased. Therefore, we have measured our Scope 3 emissions from our own operations in 2020, which is laid out in the table below.

Priorities for disclosure in 2021

- Develop a suite of metrics and KPIs to further inform our climate strategy.
- Accurately capture our baseline emissions across our portfolios.
- Update on our progress towards setting SBTs, which we plan to set by no later than the end of 2022.
- Begin to assess our performance against the targets that we set.



Metric	Unit	2020	2019
Scope 1			
Fuel consumption	tCO2e	5,579	6,100
Scope 2			
Purchased electricity (market based)	tCO2e	659	12,429
Scope 3 *(material for own operations as set out below)*	tCO2e	2,203	5,056
- Business Travel	tCO2e	1,954	4,818
- Waste	tCO2e	32	52
- Purchased Goods & Services	tCO2e	217	186
% of electricity renewably sourced	%	93	-



Foundations to our Responsible and Sustainable Business framework

Our priority areas are underpinned by our commitment to our foundational topics. These are the issues that we must manage, monitor and disclose in order to operate as a Responsible and Sustainable Business.

Culture

The Group has a multi-year Culture Transformation Plan in place which has at its heart our purpose and values. Progress against this plan is measured on an ongoing basis through our Culture Embedding Index and Engagement Index in our Open View colleague surveys. In addition, a specific set of other metrics associated with each of our values are tracked in a Culture Transformation Dashboard reported up to Board level (see page 14 for more detail).

Business ethics

The Code of Conduct sets out the high standard that we set ourselves when we deal with others, both within and outside the Bank of Ireland Group, and in our personal financial dealings. It also includes details of what actions should be taken if people have concerns about behaviours and practices that are in conflict with our culture and values. The code is supported by other policies such as our Speak Up Policy and our Anti-bribery and corruption policy. All colleagues complete annual mandatory training and assessment on all of these aspects.

Financial crime

Protecting the financial system from financial crime risks including money laundering, terrorist financing, and bribery and corruption is of intrinsic importance to the Group. The Group Anti-Money Laundering Policy, Group Sanctions and CFT policy and the Group Anti-bribery and corruption policy among others all support this objective. All colleagues complete annual mandatory training and assessment in relation to key areas.

Sourcing responsibly

Bank of Ireland has a Code of Supplier Responsibility that applies to all of our suppliers and builds on our internal values of accountability, customer focus, agility and teamwork, and sets out the key social, ethical and environmental standards that we want our suppliers to achieve. This Code is supported by our Group Procurement Policy and ongoing supplier due diligence activity which assesses supplier behaviours and capabilities across a wide range of sustainable business measures.

Community investment

We aligned many of the Group's philanthropic activities under one umbrella - Begin Together, a three-year, €4 million investment programme designed to provide investment for Community-focused initiatives across the island of Ireland, and for causes that matter to our colleagues across the Group. February saw the launch of the flagship Community Fund, working with the Community Foundation for Ireland, and in August we awarded grants to 116 inspiring projects helping financial, mental and physical wellbeing. Our colleagues nominated support charities and community groups where they live and work, and over 600 groups received donations from the Fund for Colleagues. The Begin Together Awards recognised Ireland's most enterprising towns, with a virtual celebration for those who worked so hard to protect their communities from the impact of COVID-19. The Begin Together Arts Fund launched in September, and 36 arts projects from all genres were funded, enabling artists to create in ways that help their communities deal with the effects of COVID-19.

Health and safety

The Group's Health and Safety Policy guides our approach in this area ensuring the safety of our colleagues and customers by carefully planning our operations, identifying potential hazards and managing the associated risks at every stage. Group-wide risk assessments, auditing, as well as mandatory training supported this. The Group maintains an existing OHSAS 18001 accreditation covering elements of the business and is working towards extending this scope and migrating to the new ISO 45001 Standard.

Human rights

A number of policies and initiatives guide our approach in this area including our Code of Supplier Responsibility, our Modern Slavery Statement and our VCU (see page 27 for more details). We are also active in identifying possible activity linked to human trafficking through our Financial Crime Compliance unit. We have put in place Human Trafficking Risk Awareness training and are members of the Traffik Analysis Hub, a global data hub for intelligence on human trafficking across all industries and sectors.

Cyber security

The Group invests in and implements a range of organisational and technological safeguards to enable a strong and resilient organisation focused on protecting our customers. The Group Information Security function is led by the Chief Information Security Officer and a three-year Board-approved cyber strategy is in place to deliver an industry leading approach. External audits of cyber security infrastructure are also carried out. The strategy is supported by Group-wide Information Security Policies (aligned to the National Institute of Standards and Technology) and security awareness training is mandatory for all colleagues.

The 'Security Zone' page on our website supports customer security awareness including fraud alerts and information on how to report suspicious online activity, emails or phone calls. In 2020, this was supported by a specific fraud awareness campaign as part our Financial Wellbeing strategy (page 26).

Data Protection

We are fully committed to keeping customer and colleague information private. Our Data Privacy Notices explains how we hold and use personal information and explains people's rights in relation to the collection of personal information and how they can exercise those rights.

Non-financial information statement

Related pages
CEO review (page 8)
Our strategy (page 13)
Risk management (page 34)

We comply with the European Union (disclosure of non-financial and diversity information by certain large undertakings and groups) Regulations 2017.

The purpose of this table is to assist stakeholders in understanding our policies and management of key non-financial matters.

Environmental matters

Policies
- Group environment policy (ISO 14001)[1]
- Group energy policy (ISO 50001)[1]

Risks & management
- Environment and Energy *(page 28)*

Non-financial key performance indicators

- Key highlights *(page 3)*

Business model

Risks & management
- Divisional review *(page 58)*

Diversity report

Policies
- Board diversity policy[1]

Risks & management
- Corporate Governance statement *(page 72)*

Bribery and corruption

Policies
- Group code of conduct[1]
- Speak up policy
- Group anti-money laundering policy
- Group anti-bribery and corruption policy

Risks & management
- Code of conduct *(page 40)*
- Anti-bribery and corruption *(page 40)*
- Group anti-money laundering *(page 40)*
- Conduct risk *(page 178)*

Policies followed, due diligence and outcome

Risks & management
- Risk management framework

Description of principal risks and impact of business activity

Risks & management
- Key risk types *(page 46)*
- Principal risks and uncertainties *(page 135)*

Social and employee matters

Policies
- Inclusion and diversity policy
- Group code of conduct[1]
- Equal opportunities policy
- Group health and safety policy
- Employee data privacy
- Group vulnerable Customers policy
- Group learning policy

Risks & management
- Vulnerable customers *(page 27)*
- Inclusion and diversity *(page 25)*
- Learning *(page 24)*
- Wellbeing *(page 25)*
- Communities *(page 40)*
- People risk *(page 136)*

Respect for human rights

Policies
- Modern slavery and human trafficking statement[1]
- Group procurement policy
- Group data protection and privacy policy

Risks & management
- Information security *(page 40)*
- Operational risk *(page 46)*
- Human trafficking *(page 40)*

[1] *These policies are available on the Group's website. All other policies listed are not published externally.*

Governance in action

Leadership and company purpose

Through a year of significant challenge in the face of a global pandemic, the role of corporate governance in ensuring effective decision-making has been of paramount importance.

The Board and the Group Executive Committee (GEC) responded to the pandemic with a clear focus on the Group's purpose, to enable our customers, colleagues and communities to thrive and it remained at the forefront of all of our actions. In the Report's Governance Section on page 72 our Chairman reports on the key areas of Board focus during 2020 in response to the pandemic.

The Group's Purpose and its values are the cornerstone of its culture, providing the Board and GEC with a clear foundation upon which key decisions are taken. The importance of listening to and understanding the perspectives of our stakeholders is greater now than ever and, during 2020, the Board has enhanced the ways in which it has engaged with the Group's stakeholders in order to further inform its decisions. Information on some of the ways in which the Group approaches stakeholder engagement can be found on page 88.

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate structure in place. It provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. The CEO is supported by GEC which is composed of the Executive Directors and other senior executives who assist the CEO in leading the Group's day to day operations and in the execution of the Board-approved Group Strategy in line with the Group's Purpose. Details of the GEC can be found on page 75.

The Board is responsible for corporate governance, encompassing leadership, direction and control of the Group. The Group's corporate governance standards are implemented by way of a comprehensive and coherent suite of frameworks, policies, procedures and standards covering corporate governance as well as business and financial reporting, and risk management activities. These are supported by a strong tone from the top on expected culture and values.

The Board is supported by a number of committees:

Nomination, Governance and Responsible Business Committee

Patrick Kennedy *(Chair)*

Responsible for leading the process for Board, Executive and key subsidiary Board appointments, renewals and succession planning. It is also responsible for corporate governance policies and practice, providing oversight of the Group's RSB Strategy and monitoring the Group's implementation of the UN Principles for Responsible Banking.

Group Remuneration Committee

Steve Pateman *(Chair)*

Responsible for setting policy on the remuneration of the Chairman and senior management (including Executive Directors) and approving specific remuneration packages for the Chairman, each of the Executive Directors, the Group Secretary, and those Senior Executives who report directly to the Group CEO.

Group Audit Committee

Evelyn Bourke *(Chair)*

Responsible for monitoring the quality and integrity of accounting policies, the effectiveness of the Group's internal control framework and financial reporting systems, and the independence and performance of the internal and external auditors.

Board Risk Committee

Richard Goulding *(Chair)*

Responsible for monitoring risk governance and assisting the Board in discharging its responsibilities by ensuring that risks are properly identified, reported, assessed, and properly controlled; and that strategy is informed by and aligned with the Group's risk appetite.

Group Transformation Oversight Committee

Ian Buchanan *(Chair)*

Responsible for overseeing, supporting, and challenging the actions being taken by Management in relation to the execution of the Group's strategic transformation, focused on technology related change.

The Board is committed to upholding high standards and seeking continual enhancements and its corporate governance standards are overseen by the Nomination, Governance and Responsible Business Committee (NGRB), which reports regularly to the Board. The varied corporate governance requirements that apply to the Group are detailed on page 72.

As a company listed on both the London and Euronext Dublin stock exchanges, the Group is required to report to shareholders on how it applies the main principles of the UK Corporate Governance Code (UK Code). The table below outlines where you can find the relevant disclosures throughout this Report.

Board Leadership and Company Purpose

UK Code Principles	Section *(of BOIG plc Annual Report 2020)*
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Board composition and succession *(page 82)* • Strategic Report *(page 3)*
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• Chairman's introduction *(page 72)* • Strategic Report – Chairman's review *(page 4)* • Governance in action *(page 42)* • Assessing the effectiveness of the Board *(page 84)*
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Board's oversight of risk management and internal control systems *(page 90)* • Report of the Group Audit Committee *(page 103)* • Report of the Board Risk Committee *(page 110)*
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	• Stakeholder engagement *(page 88)* • Strategic Report (enabling customers, colleagues and communities to thrive) *(page 20)*
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• Stakeholder engagement – colleagues *(page 89)* • Strategic Report (business ethics, enabling customers, colleagues to thrive) *(page 40)* • Report of the Nomination, Governance and Responsible Business Committee *(page 95)*

Division of Responsibilities

UK Code Principles	Section *(of BOIG plc Annual Report 2020)*
The Chairman leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors (NEDs), and ensures that directors receive accurate, timely and clear information.	• Roles and responsibilities *(page 87)* • Chairman's tenure *(page 81)* • Board committees *(pages 82)* • Chairman *(page 85)* • Individual Directors *(page 85)*
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	• Board composition and succession *(page 82)* • Roles and responsibilities *(page 87)*
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Assessing the effectiveness of the Board *(page 84)* • Roles and responsibilities *(page 87)* • Time commitment *(page 91)*
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Roles and Responsibilities *(page 87)* • Role of the Board *(page 87)* • Report of the Nomination, Governance and Responsible Business Committee *(page 95)*

Composition, Succession and Evaluation

UK Code Principles	Section *(of BOIG plc Annual Report 2020)*
Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• Board changes in 2020 *(page 73)* • External support *(page 83)* • Diversity *(page 83)* • Board composition and succession *(page 82)* • Report of the Nomination, Governance and Responsible Business Committee *(page 95)*
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	• Your Board (Directors' Bios) *(page 77)* • Chairman's introduction *(page 72)* • Chairman's tenure *(page 81)* • Board composition and succession *(page 82)* • Report of the Nomination, Governance and Responsible Business Committee *(page 95)* • Diversity *(page 83)*
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Assessing the effectiveness of the Board *(page 84)*

Audit, Risk & Internal Control

UK Code Principles	Section *(of BOIG plc Annual Report 2020)*
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Board oversight of risk management and internal control systems *(page 90)* • Report of the Group Audit Committee *(page 103)*
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	• Chairman's review, Strategic Report *(page 3)* • Role of the Board *(page 87)* • Board oversight of risk management and internal control systems *(page 90)*
The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Board oversight of risk management and internal control systems *(page 90)* • Report of the Board Risk Committee *(page 110)*

Remuneration[1]

UK Code Principles	Section *(of BOIG plc Annual Report 2020)*
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	• Report of the Group Remuneration Committee *(page 100)* • Remuneration Report *(page 121)*
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	• Report of the Group Remuneration Committee *(page 100)* • Remuneration Report *(page 121)*
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	• Report of the Group Remuneration Committee *(page 100)* • Remuneration Report *(page 121)*

[1] *Some of the Remuneration provisions of the Code (including provisions 36 and 37) are not currently applicable to the Group, as the Group does not operate variable incentive arrangements, other than a small number of limited commission schemes.*

Risk review

We believe great risk management leads to great customer outcomes. We follow an integrated approach to risk management. This means that all material classes of risk are considered. Most importantly our overall business strategy and remuneration practices are aligned to our risk and capital management strategies.

The environment within which the Group operates continues to be subject to considerable change, most notably as a result of COVID-19. The Group continues to monitor impacts on the risk profile.

A strong risk culture is promoted throughout the Group which encompasses the general awareness, attitude and behaviour of everyone in the Group.

Risk appetite defines the amount and type of risk we are prepared to accept in pursuit of our financial objectives. It forms a boundary condition to strategy by clarifying what is and is not acceptable. Based on the risk appetite approved by the Board, we set out an approach to risk in order to:
(i) protect the long-term Group franchise;
(ii) ensure financial stability; and
(iii) maintain capital levels.

Our risk principles mean that risks may be accepted at transaction, portfolio and Group level if:

- they are aligned with our defined risk appetite and risk identity;
- the risks represent an attractive investment from a risk-return perspective;
- we have the resources and skills to analyse and manage the risks;
- appropriate risk assessment, governance and procedures have been observed; and
- stress and scenario tests around the risks exist, where appropriate, and are satisfactory.

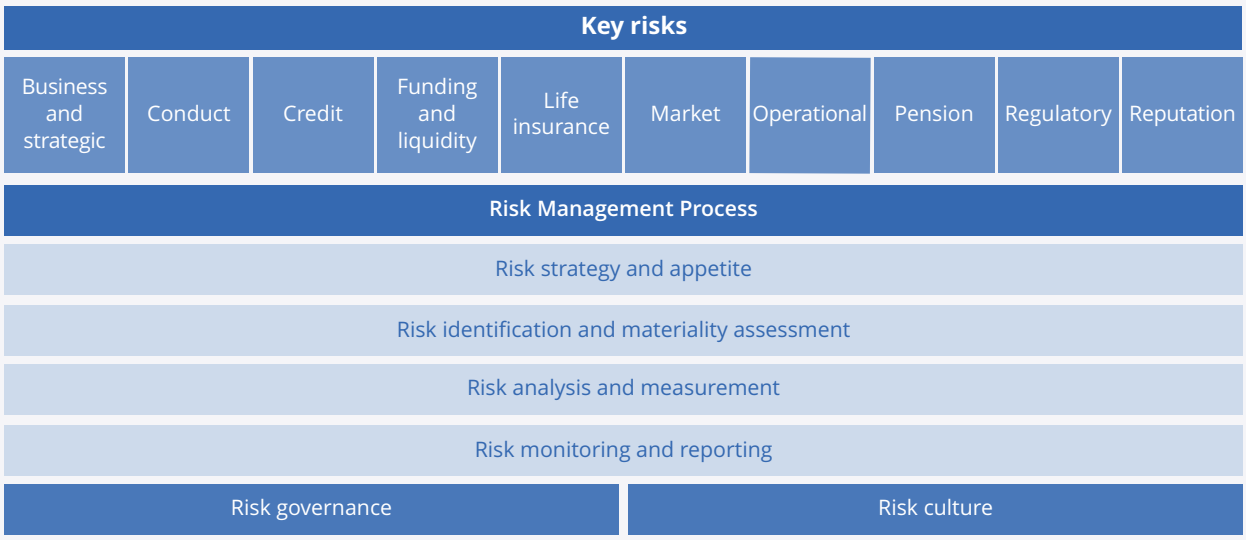
Group risk management framework - key components

The Group risk management framework is aimed at all key decision makers who are involved in risk taking, capital management, finance or strategy, including business units and Group functions. It ensures that risks are managed and reported in a consistent manner throughout the Group. It outlines our formal governance process for risk, our framework for setting risk appetite and our approach to risk identification, assessment, measurement, management and reporting and is underpinned by strong risk governance and a robust risk culture.

The Board of Directors is responsible for ensuring that an appropriate system of internal control is maintained. This is achieved through a risk governance structure designed to facilitate the reporting and escalation of risk concerns from business units and risk functions upwards to the Board and its appointed committees and sub-committees, and conveying approved risk management policies and decisions to business units. Individual responsibility is a key tenet of risk management in the Group and we are all accountable for our actions.

Principal risks and uncertainties

Principal risks and uncertainties could impact on our ability to deliver our strategic plans and ambitions. We consider risks that arise from the impact of external market shocks, geopolitical event risks or other emerging risks as well as key risk types which could have a material impact on earnings, capital adequacy and / or on our ability to trade in the future.



Key risk types

Business and strategic risk
This risk includes all risks that might impact our current business model and sustainability of our future strategy. It includes; the threat from fintechs, digital / technological changes, Brexit, macroeconomic and regional geopolitical uncertainty, transformation, climate and people risks.

Conduct risk
The risk that we behave in a negligent or inappropriate manner that leads to adverse outcomes for customers, for example selling a customer a product that does not meet their needs, or failing to respond to a customer complaint promptly or effectively.

Credit risk
The risk of loss resulting from a counterparty failing to meet their contractual obligations to us arising in respect of loans or other financial transactions. The risk arises from loans and advances to customers, in addition to our transactions with other financial institutions, sovereigns, and state institutions.

Funding and liquidity risk
The risk that we have insufficient financial resources to meet commitments when they fall due.

Life insurance risk
The risk of unexpected variations in the amount and timing of insurance claims due to, for example, changing customer mortality, life expectancy, health, and behaviour characteristics.

Market risk
The risk of loss arising from movements in interest rates, foreign exchange (FX) rates or other market prices.

Operational risk
The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which can lead to disruption of services to customers, financial loss, and damage to our reputation. Included are risks associated with business continuity, data quality and reliability, fraud, information security and cyber risk, insurable, legal & contractual, model, payments, sourcing, unauthorised trading and business processes.

Pension risk
The risk that assets in principal defined benefit pension schemes are inadequate or fail to generate returns sufficient to meet the schemes' liabilities.

Regulatory risk
The risk that we fail to meet new / existing regulatory / legislative requirements and deadlines or if we fail to embed regulatory requirements into our processes.

Reputation risk
The risk to earnings or the value of our franchise value arising from adverse perception of our image on the part of customers, suppliers, counterparties, shareholders, investors, staff, legislators, regulators or partners.

Capital adequacy
Capital adequacy is having a sufficient level or composition of capital to support normal business activities and to meet regulatory capital requirements both under normal operating environments or stressed conditions. Capital adequacy is not a risk type in itself but owing to the nature of capital as a critical risk mitigant is a key determinant of the overall Group risk appetite.

Bank of Ireland Group plc
27-33 Baggot Street Upper,
Ballsbridge, Dublin 4,
D04 VX58

Registered number 593672