

Enabling our customers,
colleagues and communities
to thrive

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

Our Purpose is to enable our customers, colleagues and communities to thrive.

This Strategic Report provides an overview of the Group's financial and non-financial performance in 2018. It is also included with further detail as part of the Group's 2018 Annual Report. Both the Strategic Report and Annual Report can be accessed on investorrelations.bankofireland.com

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2018 key performance highlights

Strong financial performance

€935m

Underlying profit before tax

NIM of 2.20%

Net impairment gains of €42m

NPEs reduced by 24% to €5.0bn; NPE ratio now at 6.3%

Growth

€1.3bn

Net lending growth

New lending €15.9bn, increase of 13% vs. 2017

New Irish mortgages; Growth of 17%, stable market share of 27%

Wealth & Insurance; 21% income growth vs. 2017

Transformation

3% / €48m

reduction in costs

Taking the lead in building a great culture in the Bank

Foundations of new core banking platforms in place

Business model initiatives to drive efficiencies progressing at pace

Capital

13.4%

CET 1 ratio

Organic capital generation of 180bps

Dividend increased to 16c per share (€173m) from 11.5c (€124m) in 2017

55%

employee engagement score

58:42

male/female appointment to management and leadership positions in 2018

€4.9m

total community investment in 2018

50%

carbon reduction target by 2030 agreed

c.€14m

invested in Learning & Development for colleagues

250

new customer facing roles

6,000+

colleagues attended Purpose & Values Roadshow in 2018

1,396

volunteer days

16m

interactions on our digital channels every month



Chairman's statement

The Group's financial position is strong and our strategy is clear. Over the period to 2021, our priorities are to transform our culture, systems and business model, serve customers brilliantly and grow sustainable profits.



Patrick Kennedy
Chairman

I am delighted to have been appointed as Chairman and Governor. This is an exciting time to be at Bank of Ireland; building on very strong foundations, our next chapter is one of transformation, investment and growth.

Strategy

Our ambition is clear: to be the National Champion Bank in Ireland, with UK and selective international diversification. This is ambitious, but realistic. It is in our hands to deliver.

At our Investor Day in June 2018 our CEO, Francesca McDonagh, and her executive team set out Bank of Ireland's strategy. We will transform the bank, serve customers brilliantly, and grow sustainable profits. This will deliver multi-year growth across the Group's businesses and franchises. Good progress has already been made against the growth and transformation strategy with the Group performing strongly during 2018 across all of our businesses.

Customer expectations continue to evolve rapidly. The financial services sector must adapt and develop to meet these expectations and compete efficiently. While electricity powered the 20th century, technology will fuel the 21st century. Our significant technology investment means the Group is well positioned to face the many opportunities and challenges on the horizon. Successful implementation of our business transformation strategy will enable us to compete from a position of strength and ensure we continue to support our customers and drive economic activity in our core markets. I am confident the Group will deliver against its objectives.

I am excited about our new chapter in becoming Ireland's National Champion Bank. The Group plays a pivotal role in enabling and supporting growth, investment and prosperity in Ireland. We are investing in our people, our infrastructure and our businesses to strengthen the level of support, products and services we provide to all of our Irish consumer, business and corporate customers.

We are also investing in our UK and international businesses. This investment represents important strategic diversification for shareholders and attractive opportunities for growth. Improving returns in our UK business is a priority. We continue to strengthen and enhance our long standing partnership with the UK Post Office and our more recent partnership with the Automobile Association (AA). While Brexit uncertainties remain to the fore, we continue to take appropriate steps to mitigate related risks to the Group and our customers.

The Group's strong operating and financial performance combined with continued

organic capital generation has contributed to a robust capital position in 2018. The Group continues to have the capital and liquidity available to support our strategic ambition and commitment to our Irish, UK and international customers.

The strength of the Group's financial performance is evident in our dividend. I am pleased to announce a proposed dividend in respect of 2018 to shareholders of 16 cent per share, an increase on the 11.5 cent per share in 2017. This demonstrates continued progress against our ambition to increase dividends on a prudent and progressive basis and, over time, build towards a payout ratio of around 50% of sustainable earnings.

Purpose

Our purpose is to enable our customers, colleagues and communities to thrive. An appropriate corporate culture embedded across the organisation is necessary to underpin this purpose. There is much to like in Bank of Ireland's existing culture, but we are aiming to sharpen the customer focus, agility, accountability and collaboration across the organisation.

Customers are deliberately referred to in our purpose and values. We want to develop and maintain long term sustainable relationships based on trust and confidence. We aim to provide the right products and services, through the right channels, to meet our customers' preferences. We will enhance customer experience through investment across our multi-channel platforms.

Conducting our business responsibly is an integral part of our interactions with our customers, colleagues and communities. It is positive that our approach to responsible business continues to be recognised externally, including accreditation by the National Standards Authority of Ireland.

Board

Archie Kane stepped down as Chairman and Governor on 31 July 2018. I would like

to thank Archie for his service to Bank of Ireland since his appointment in 2012 until his recent retirement. His considerable experience and sound judgement were invaluable to the Group. During his time as Chairman, Bank of Ireland repaid in full the support received from the Irish State during the financial crisis, exited the Eligible Liabilities Guarantee Scheme, returned to sustainable profitability, and recommenced dividend payments. As detailed in the Corporate Governance Statement on pages 120 to 129 of the BOIG plc Annual Report, we regularly review the Board's composition and diversity. We are committed to ensuring we have the right balance of skills and experience within the Board, including diversity across all its dimensions. The Board has retained its gender diversity target of 33 per cent female directors by the end of 2020, and has a medium term aspiration to have broadly equal gender representation.

Evelyn Bourke and Ian Buchanan joined the Board in May 2018. Evelyn has a strong track record in global executive management and extensive experience in financial services, risk and capital management, and mergers and acquisitions. She was appointed CEO of Bupa Group in July 2016. She is also a member of the Bupa Board.

Ian has extensive technology, digital, business transformation and customer operations experience gained through his work in a number of international retail, commercial and investment banks. Ian is a non-executive director at Openwork, one of the largest financial advisor networks in the UK, and a senior operations and technology advisor to Cerberus Capital Management.

Steve Pateman joined the Board in September 2018. Prior to joining the Board, Steve served as CEO of Shawbrook Bank and held a variety of senior positions at Santander, RBS and NatWest. Steve has extensive knowledge of the banking sector, particularly in corporate and retail banking, and has considerable lending experience in the UK.

Davida Marston retired from the Board in September 2018. I would like to thank Davida for her contribution and commitment over almost six years of membership of the Board.

I am delighted that Patrick Haren has succeeded me in the role of Deputy Chairman and Deputy Governor. He brings considerable experience and judgement to this role and I look forward to working closely with him.

Remuneration

After a period of restructuring, the Group is in a strong financial position. We are seeing a return to normalisation within the banking sector in Ireland; however, challenges remain, including the attraction and retention of staff at all levels in an increasingly competitive labour market.

Shareholders were advised in the Chairman's Letter and Notice of the 2018 Annual General Meeting (AGM) that the Group's goal is to operate a remuneration policy including variable remuneration consistent with European Banking Authority (EBA) guidelines. To this end, the Group Remuneration Committee (GRC) engaged with major shareholders during 2018 in regard to the adoption of an appropriate executive incentive scheme and to obtain feedback from major shareholders. Any such scheme is subject to the removal or amendment of the current remuneration restrictions in Ireland and approval by shareholders.

Outlook

In a rapidly changing world, we believe we have the right strategy and approach to transforming our business. I am confident that the quality of the Group's businesses and franchises, combined with a clear customer focus, strong leadership from Francesca and her executive team, and the commitment of colleagues across the Group, position us well to deliver value for our shareholders. We look forward with confidence to 2019 and beyond.

Chief Executive's review

The Group has made good progress in 2018 and is already delivering against the strategic targets for growth and transformation we have set out for 2021.



Francesca McDonagh
Group Chief Executive

I am pleased to report that good progress has been made by the Group in 2018.

We defined our multi-year strategy in June 2018, setting out clear targets until 2021. We have grown our loan book with net lending of €1.3 billion in 2018 as we support our retail and corporate customers across all our markets. This inflection point represents growth for the first time in a number of years and we are confident of further growth. We have reduced our operating expenses by 3%, a first step towards fundamentally improving the Group's efficiency. Our systems transformation has made good progress with the testing of our first customers on the new core banking platform. We are taking actions to increase returns in our UK business. Our non-performing exposures (NPE) continue to reduce. This progress underpins our 2018 results, with the Group delivering an underlying profit of €935 million.

Our ambition is clear - to be the National Champion bank in Ireland, with UK and selective international diversification. We have defined the culture we want at Bank of Ireland while achieving this ambition. I believe this cultural transformation is as important as the changes we are making to our technology and business model.

Strategic ambition

Our strategic priorities are to transform the bank, serve customers brilliantly and grow sustainable profits. Delivering on these priorities is key to achieving our ambition. We have accelerated and broadened our transformation with a particular focus on growth in Ireland, and a reshaped UK business to generate increased profitability and returns.

Expected growth in our Irish business will drive expansion in lending volumes and fee income, and increase our revenue on a sustainable basis. We will enable this by allocating capital and resources to be the leading supporter of home building and buying in Ireland, and building out our wealth management and insurance business.

We are committed to investing in our multi-year transformation programme including our core technology investment. This will support our growth ambitions, improve customer service, and drive efficiency. Transformation will also build a truly customer focused organisation which positively impacts the communities we serve and delivers attractive, sustainable returns to our shareholders.

A strategic focus is to increase returns in the UK market. We will do this by investing in the growth of our more profitable businesses; improving those businesses that have potential but need to deliver better returns; and repositioning those businesses where we have less certainty about achieving our return expectations.

Execution and delivery of the Group's strategic plan will enable us to generate a return on tangible equity in excess of 10%, reduce our costs to €1.7 billion in 2021, and prudently and progressively increase our dividend per share over time, building to a payout ratio of around 50% of sustainable earnings.

Strong performance in 2018

The Group generated an underlying profit before tax of €935 million in 2018. All trading divisions are profitable.

The Irish economy performed strongly in 2018 and continues to be the fastest growing economy in the Eurozone. Despite Brexit uncertainties, the UK economy expanded, but at a more moderate pace in 2018. Job gains continued in both economies, with the unemployment rate ending 2018 at a 10-year low of 5.7% in Ireland and at a multi-decade low of 4.0% in the UK. Brexit-related uncertainty is however impacting on sentiment and activity levels. In Ireland, some firms have put their investment plans on hold and in the UK there is a clear weakening in investment by businesses.

Net Lending of €1.3 billion represented growth for the first time in a number of years. New lending volumes of €15.9 billion were 13% higher than the same period in 2017 on a constant currency basis. New mortgage lending in Ireland increased by 17% compared to 2017 and we maintained our market share at 27%. We successfully re-entered the broker mortgage channel in Ireland in late 2018, leveraging off our award winning technology platform from the UK. The fundamentals in the Irish market remain strong and we continue to support home building and buying. In 2018, we funded the construction of 5,400 new homes on 140 sites as well as 2,750 student beds including 1,400 under development.

In the UK, we grew our new lending by 13% and remain committed to improving returns in an increasingly competitive market, whilst maintaining commercial pricing and risk discipline.

We are transforming our culture, systems and business model and this is delivering efficiencies across the Group. Operating expenses (excluding levies and regulatory charges) in 2018 of €1.9 billion decreased by €48 million or 3% compared to 2017. This included €113 million, or 37%, of the €306 million we invested in our transformation programme during the period. We expect operating expenses to further reduce in 2019 and each year to 2021.

Transformation of our technology remains a key enabler to support growth, improve customer experience, and drive efficiencies in our businesses. The investments we are making in our core banking platforms will deliver simpler, state of the art technology, and improve our digital channels, services and security. A number of key programme milestones have been delivered in 2018. The foundations of our core banking platforms are now in place. A single customer view of over 2 million customers has been created and we have commenced the testing of loan and deposit origination on the new Temenos platform. Our new mobile banking app will launch during 2019, delivering an improved customer experience for retail customers.

Our fully loaded CET 1 capital ratio was 13.4% at December 2018. The Group continues to generate strong organic capital with organic capital generation of 180 basis points in 2018. We continue to strategically invest and allocate this capital supporting ongoing investments in loan book growth, our transformation programme, regulatory capital demands and distributions to our shareholders. Our capital and dividend guidance remains unchanged and the strength of our capital position is reflected in a proposed dividend of 16 cent per share or €173 million.

Our net interest margin (NIM) for the Group was 2.20% in 2018. This reflects the positive impact from new lending margins and our continued strong commercial pricing discipline, offset by the impact of the ongoing low interest rate environment, NAMA sub debt reclassification and competitive pressures in the UK mortgage market driving lower than expected market pricing and shorter customer reversion periods.

Fees and other income of €625 million arise from diversified business activities including wealth, bancassurance, foreign exchange (FX) and transactional banking fees. This includes sustainable business income of €672 million, an increase from €662 million in 2017. A key driver of this was the growth in our Wealth and Insurance business where income grew by c.20% and market share grew by c.2%.

Our asset quality continues to improve. This reflects ongoing improvement in the credit quality of our loan portfolios, our actions to manage our non-performing loans and the positive economic environment and outlook particularly in our home market in Ireland. We had net impairment gains of €36 million in 2018. NPEs reduced over the year by €1.5 billion to €5.0 billion, which equates to an NPE ratio 6.3% of gross customer loans. NPE reduction strategies continue to be kept under review given the evolving regulatory framework.

Customers, Colleagues and Communities

Customers are the absolute core of our businesses. Their expectations and preferences are changing rapidly and we have been listening to them, and taking action. We have upgraded over 100 branches to full service branches while also recruiting 250 frontline staff to drive improved service levels. With an average of over 10 million monthly engagements on our mobile app during 2018, up over 25% on 2017, our customers are increasingly choosing digital and self-serve channels. Our customer focused strategy is to serve customers brilliantly and we continue to invest across all our businesses. We will do this as we transform our businesses by providing products and services which meet their financial requirements through easy, simple and accessible processes which align to their digital expectations.

With our ambition to become the National Champion Bank we are taking the lead in building a great culture in the Bank. Culture enables long term customer relationships, a reduced cost of risk, and growth in sustainable revenue and I am committed to embedding a new culture within the Group. During 2018, over 6,000 colleagues attended purpose and values roadshows and there has been a continual improvement in our staff engagement level scores - improving from 50% to 55%. There is still far more to do. We are also transforming our ways of working for our colleagues as we further invest in capabilities and agile working practices.

Fostering an inclusive and diverse workforce is critical to ensuring that Bank of Ireland is reflective of the modern and diverse communities we serve, as well as building a better place to work and a better place for our customers to do business. We will continue to focus on attracting, developing and retaining the talent we need to deliver our ambition. In 2018, I set out a commitment to achieve a 50:50 gender ratio in all new management and leadership appointments by 2021, and we are making good progress with females representing 42% of all senior appointments in 2018.

The extensive reach of the Group allows us to engage and support our customers in their local communities and enterprises. In 2018, we hosted over 64 local enterprise events, reaching 225 communities. Our Innovation Programme hosted over 550 events across our Workbenches and Startlabs.

Responsible and sustainable business is of significant importance to our colleagues across the Group. Our new integrated report includes a comprehensive account of our business approach and practice from the perspective of customers, colleagues and communities on pages 16 to 25.

Looking forward

2018 has been a year of business growth, improved efficiency, and progress in the transformation of our culture, systems and business model. We are on the right track to achieve our 2021 commitments. We are mindful of the risks and uncertainties relating to Brexit and the global economy. However, we are committed to making further progress against our strategic objectives in the year ahead.

We expect our loan book to grow again in 2019 with our NIM to be c.2.16%. We expect further reductions in operating expenses, and asset quality to continue to improve. Absent a deterioration in the economic environment or outlook, we continue to expect the net impairment charge to be in the range of up to 20 to 30 basis points per annum during 2019 to 2021.

I am confident in our ability to execute our strategy and we will continue to responsibly develop our profitable, long term franchises, and achieve our ambition to serve our customers brilliantly in a way that delivers attractive, sustainable returns to our shareholders.

Our purpose and values

Bank of Ireland has a clearly articulated purpose underpinned by our four values

Our purpose

Enabling our customers, colleagues and communities to thrive

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.

Colleagues keep our organisation working, innovating and adapting to meet our customers' needs.

Communities are where we live and work and also include other groups both local and global such as our shareholders, regulators, government and partners.

Our values

Our purpose is supported by four key values. These guide us in everything we say and do.

Customer focused

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

'Typically, the most successful companies in the world are the most purposeful. Turning our purpose into a reality is a big part of my role as CEO. We want to transform and grow to become the National Champion Bank in Ireland. But this isn't just about our organisation - the way we live this purpose should have a positive effect because it will change how we serve our customers'

Francesca McDonagh
Group CEO Bank of Ireland



Our ambition

To become National Champion Bank in Ireland



Our ambition

To be the National Champion Bank in Ireland

Bank of Ireland's ambition is to be the National Champion Bank in Ireland, with UK and selective international diversification.

To be a 'National Champion', we will have strong market shares and be a driver of economic growth. We will be focused and transparent in how we run our businesses, and be recognised as a consumer champion by our customers. We will have a strong brand position, and be an employer of choice.

Delivering on this ambition will transform Bank of Ireland for our customers, colleagues and communities.

We will be easier to do business with and to bank with - supporting our customers in the way, at the time and in the place they want. And, we will be a better place to work - closer to the customer, with the right culture and our values guiding all we say and do.

To achieve our ambition we have set three strategic priorities. These are to transform the bank, serve customers brilliantly, and grow sustainable profits.

Our Group strategy to 2021 is anchored in these priorities. We have set out a clear strategy for the Group which is focused on transformation, customer service and growth, coupled with clear financial targets.



Our strategy

To transform the bank, to serve customers brilliantly and to grow sustainable profits

'I am confident in our ability to execute our plan, materially enhance the sustainable returns for our shareholders and deliver on our shared common purpose 'Enabling our customers, colleagues and communities to thrive'

Francesca McDonagh
Group CEO Bank of Ireland



In June 2018 we set out our strategy. We are changing our culture, our systems and our business model to support our growth ambitions, improve customer service and become a progressive employer of choice.

In the coming years we will build on our strengths, unique history and heritage, and proven capabilities. We have strong businesses and close relationships with our customers. We operate in growing economies in Ireland and the UK. We are Ireland's leading retail and commercial bank, with select and profitable operations in the UK and internationally. And our Markets and Treasury business has a proven track record.

Our plans for the future are also informed by our experience of the past decade. The Bank has moved from restructuring and risk reduction after the financial crisis to greater stability in recent years, and we now see growth and transformation opportunities. The regulatory framework continues to be demanding, with strong

capital and investment requirements. This evolving framework is a challenge that we must navigate carefully and effectively to ensure we meet our customers', shareholders' and regulators' expectations.

Our growth opportunities are primarily in Ireland which is an attractive, modern and outward-looking market, undergoing its own transformation. Reflecting the country's National Development Plan, 'Ireland 2040', we foresee population growth of over one million people, a one-third increase in job creation and people living in half a million new homes. We're investing in our channels including maintaining and upgrading our branch network as well as deepening our intermediary relationships. Technology that balances with an engaging personal experience, is an opportunity for our bank. And we're focused on what matters most to our customers - those big decisions that punctuate their lives, like buying a home, growing a business, and protecting their family.

Unlocking growth in our Irish business will drive expansion in lending volumes and fee income, while increasing our revenue. We will enable this by reallocating capital and resources to be the leading supporter of home building and buying in Ireland and by maximising our wealth management and insurance business.

In all this, our customers, colleagues and shareholders have high expectations that we must meet and strive to exceed.

By the end of 2021, delivering our strategy will see Bank of Ireland as:

- a trusted brand that has retained customer loyalty and acquired new business;
- a strong enabler of the success of the fastest growing economy in Europe; and
- having taken some tough calls to be efficient, build a talented team and fulfil our potential.



Our strategy

Transform the Bank

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

Context

Target outcomes



Culture

We have embarked on a multi-year transformation of our culture. A healthy internal culture improves staff engagement and becomes a magnet for talent. It also creates great customer outcomes, long-term customer relationships, a reduced cost of risk, and growth in sustainable revenue. Changing our culture is central to the bank's transformation, but it won't happen overnight. Throughout 2018, we focused on building awareness of our purpose and values and establishing baseline measures through roadshows and employee engagement research. Next steps are to embed the changes underway so that colleagues experience them in their day-to-day working lives.

- Best-in-class employee engagement.
- All management and leadership appointments will represent a 50:50 gender ratio by end 2021.



Systems

We are making a significant investment in transforming our systems as technology is critical to our growth strategy - it enables our transformation and improves efficiency, but it also improves our service to customers, who increasingly expect 24/7 banking, or banking on the move and on their phone. We are replacing our core banking systems to improve efficiency and to enhance customer experience. Almost 80% of our customer base is digitally active with over 16 million interactions in our digital channels every month and we will launch a new mobile app in 2019 to improve our digital services.

- Improved customer experience.
- Simplification of products and processes.
- Excellence in digitisation and robotics.
- Cost base reduced from €1.9 billion to €1.7 billion.
- Digital across all technology 'layers' from core to customer facing channels.



Business model

We have reviewed our current business model and how we are organised and resourced, and identified clear opportunities to further reduce costs and improve overall efficiency. We are becoming a flatter organisation by reducing the layers between the CEO and frontline and by getting closer to our customers. Technology and automation must blend with personal experience to support the engaging relationships we want to have with our customers. Digital services are best combined with a physical presence, and while we have a clear plan to reduce costs, it won't be at the expense of customer service delivered by the largest branch banking network in Ireland.

- Focused front line organisation.
- Simplified, delayed structure.
- Effective, sustainable sourcing arrangement.
- Diversified set of efficient portfolios.

What we've achieved in 2018



- Launch of an extensive programme of cultural transformation.
- Colleague engagement has increased each quarter from 50% (2017) to 53% (Q1: 2018) to 55% (Q2: 2018).
- 76% of Bank of Ireland employees believe the strategy being followed is the right one, which is 9% better than the Global Financial Services (GFS) norm.
- 6,000 colleagues participated in 50 roadshows across the Ireland and the UK on our purpose and values.
- In 2018, the ratio of management and leadership appointments were 58:42 male / female.
- The Bank joined the board of the 30% Club.
- In 2018, the Bank supported the establishment of the Irish Banking Culture Board.



- 2018 infrastructure build of our new platform sets a foundation for the delivery of future planned enhancements including PSD2 compliance.
- Single customer record created for over 2 million customers.
- The first customer transactions were tested successfully on our new core banking platform for deposits and loans.
- Development of new mobile banking app commenced with launch expected in 2019; which will represent the first full scale customer deliverable using new Temenos technology.
- Our state-of-the-art robotics capability, recognised as the largest in Ireland is improving outcomes for customers. We are now running 100 robots across 120 processes, improving processing times and reducing risk of error.
- The use of robotics to search systems for proof of identification has avoided the need to contact more than 250,000 customers to request information.



- €34 million / 4% reduction in staff costs with 55% of end-state spans and layers structure completed.
- We have enhanced our customer facing business and are building capability in key areas such as IT Change delivery and analytics.
- Consolidation of Dublin footprint by reducing the number of office buildings occupied.
- Introduction of flexible working across the organisation.
- Creating a leaner, agile organisation with over half of the end-state organisational design now complete and 8% reduction in senior management roles.

Our strategy

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. We are investing in our brand to help our customers know what we stand for and how we bring value to their lives.

Context

Target outcomes



Embedding voice of customer in our businesses

Customers are the heart of our business. But the way they bank, and the services they expect, are changing and evolving faster than ever. We are committed to improving the financial wellbeing of our various customer segments through a suite of initiatives relevant to their life stages. Listening to what our customers want, understanding and acting on their reasons for complaining about our service and building segment specific propositions and strategies that will enable our customers to thrive both now and in the future is the core of our customer strategy.

- Significant improvement in customer satisfaction and advocacy.
- Clear listening posts for all customer cohorts.
- Serving customers around their key life moments.
- Customer centricity at the heart of our culture.
- Colleagues enabled to serve customers brilliantly.



Investing in digital and physical channels

We're investing in our channels including an upgrade to our branch network and deepening our intermediary relationships. We have the most extensive owned branch network in Ireland with 40% of our frontline staff now enabled to meet our customers at a time and place that suits them. Transforming the bank will further deliver on our customers' appetite for better digital services. This includes new channels and features that are intuitive and offer a full range of services. We'll make further progress on redesigning key customer journeys supported by investment in robotics. This makes everything faster and easier for customers and reduces costs.

- Digitally enabled Bank.
- Straight through processing; digital journeys.
- Build the API foundation for Open Banking.



New brand strategy

We have identified our brand purpose and drivers, putting the customer at the heart of everything we do. We are repositioning 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 new positioning will bring all constituent parts of the business together and will be reflected in new advertising and sponsorship assets. Our creative brand position will sustain us over the next three to five years.

- #1 Bank brand in Ireland.

What we've achieved in 2018



- Established the Group Customer Board to drive improvement in service levels and customer propositions.
- Delivered a 'Brilliant Basics Programme' across the organisation gathering ideas from our colleagues: 3,100+ ideas and suggestions made, with 50% actioned by the end of 2018.
- Trained 3,800+ frontline colleagues in our 'Be the Difference' training programme - improving our customer service capability across the Group.
- Successfully re-entered to the Irish mortgage broker market using award winning UK mortgage broker platform with launch of The Mortgage Store in October.
- In the youth segment, current accounts have increased by 7% over the past 2 years to over 440,000 customers, and our student market share has increased from 41% to 43%.
- Post Office Money improved its Net Promoter Score for customer loans to second in the UK market.



- Direct and digital wealth sales increased to 35%.
- During 2018, we upgraded 101 branches to full cash services and increased our focus on call centres, increasing customer facing roles by c.15%, resulting in higher service levels and fewer complaints.
- We processed c.280 million customer electronic payments, including c.65% of all credit transfers and c.45% of all direct debits processed in Ireland - a 5% increase over 2017 volumes.



- Creative Brand Platform developed and due for launch in March 2019.
- Proud sponsor of all four rugby provinces in Ireland.
- €4.9 million total community investment in 2018 which incorporates our 'Give Together' charity investment programme, enterprise programme, community sponsorships and financial wellbeing programmes.

Highlights include:

- 1,396 days volunteered in our communities;
- National Enterprise Town Awards with entries from 83 towns; and
- 110,000 financial literacy hours delivered to students across Ireland.

Our strategy

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, our costs will reduce each year as the benefits are realised from multi-year transformation investment. Our UK business is being reshaped to increase returns and improve margins and efficiency.

Context

Target outcomes

 <p>Business growth</p>	<p>Creating growth in our Irish business will expand lending volumes and fee income, and increase our revenue. We're allocating capital and resources to help us become the leading supporter of home building and 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, supported by the strong fundamentals - in particular the demand for housing and the supportive demographic changes called out in Ireland 2040, the national planning framework.</p>	<ul style="list-style-type: none">• National Champion Bank in Ireland with selective international diversification.• Leading supporter of home building and buying in Ireland.• Building out wealth and insurance business.• Loan book growth in Retail Ireland of c.20% by 2021; Corporate Banking up €4 billion, c.50% in Ireland.
 <p>Accelerated benefits from transformation investments</p>	<p>A broader and accelerated transformation means a deeper investment in our IT systems to support our growth plans, to better serve our customers and to improve efficiency. Independent of the investment in our systems, we are also changing how we are structured as a business. This broadening and accelerating of our transformation will enable our costs to reduce every year between now and 2021.</p>	<ul style="list-style-type: none">• An improvement in our cost income ratio from 65% today, to c.50% in 2021.
 <p>Reshaping the UK business</p>	<p>Bank of Ireland is committed to the UK market where our focus is on increasing returns. We are investing in profitable parts of our UK business to support further growth. In other parts of our UK business we are improving returns by reducing costs of funding, customer acquisition and servicing. We are repositioning business where less certainty exists about meeting hurdle expectations including our UK credit card portfolio.</p>	<ul style="list-style-type: none">• Lower cost of funding, acquisition and servicing.• New propositions targeting under-served customer segments.• Reviewing those portfolios and products where returns are below expectations.• Loan book growth in UK of c.10% by 2021.

What we've achieved in 2018



- Underlying profit of €935 million with all trading divisions profitable.
- #1 Corporate Bank position maintained.
- Growth in net new lending volumes in Ireland of €1.3 billion - representing the first growth for many years.
- New mortgage lending increased by 17% to €2.3 billion in Ireland.
- Organic capital generation of 180 basis points enabling investment in loan book growth and transformation programme.
- Improved asset quality with NPEs reduced by 200 basis points to 6.3% of gross loans.



- Cost reduction across the organisation, in line with improvement in spans and layers, and targeted spending behaviours to reduce professional fees.
- Reduction of €48 million in operating expenses, while continuing to invest in our Transformation programme, with a €113 million charge in 2018.
- We have rationalised and optimised our spend with third parties, and have embedded cost awareness through effective policies and governance, the results of which are evident through significant third-party cost reduction:
 - 34% / €32 million reduction in professional fees;
 - 18% reduction in travel costs; and
 - 65% reduction in Day Rate Contractors.



- New lending across all portfolios increased in 2018 by 13% to £5.2 billion, maintaining commercial and risk management discipline, while launching a number of new products including those supporting first time mortgage buyers.
- Northridge new business lending exceeded £1 billion (+30% versus 2017).
- Deleverage of legacy commercial lending portfolios ahead of plan.
- Strong margin management across deposits.
- Core operating costs reduced year on year.

Responsible and sustainable business

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

Having previously published a stand-alone Responsible Business Report, we now present our non-financial performance as part of our new Strategic Report. Combining the Group's financial and non-financial performance in one single report provides a comprehensive picture of the Bank's activities in 2018.



Growing expectations

Responsible and sustainable business is an evolving area, and the expectations of stakeholders for greater transparency, are continually growing. Adopting the Sustainable Development Goals at a national level in Ireland, increases their relevance to both business and society. Legislative change is also affecting this area, with the EU non-financial reporting directive now including issues such as diversity and human rights. In addition, cultural change and business transformation within the Bank (as outlined on pages 8 to 15) are creating a context for increased focus on this area.

Stakeholder engagement

Engaging our stakeholders helps us address the issues that are important to them and understand their expectations, so we can continually evolve our responsible and sustainable business approach. We engage with a wide variety of stakeholders, including customers, colleagues, partners, Non-Governmental Organisations (NGOs) and investors, as well as experts in the area of responsible and sustainable business. We do this through research, meetings, media analysis, and participation in expert forums and other events, and we use what we learn to inform our planning in this area.

Governance

The Group Nomination and Governance Committee (GNGC) of the Board has overall responsibility for Responsible and Sustainable Business. It receives regular updates on progress, and reviews and approves the annual programme. Responsibility for implementing the programme as approved by the committee rests with an expert Responsible and Sustainable Business Team.

Future development

Given growing expectations, stakeholders' interest and the business transformation within the Bank, we intend to evolve our responsible and sustainable business approach further in 2019. This will include publishing a multi-year plan informed by a materiality exercise, the successful

reaccreditation of the Business Working Responsibly Mark, and the development of a community and charity investment strategy fully aligned to our business.

Our performance in 2018 is presented in the following pages through the lens of customer, colleague and community in line with our Group Purpose.



Improving our culture

Our commitment to being a responsible and sustainable business includes transforming our culture within the bank and playing our part in cultural improvement across the wider sector. In 2018, we supported the establishment of the Irish Banking Culture Board (IBCB) - an independent board funded by five retail banks in Ireland. The IBCB has been formed in recognition of the fact that public trust in the banking sector has been damaged and that a determined effort is required to rebuild that trust and support cultural reform. In late 2018, the IBCB surveyed all colleagues within the five retail banks, held a public consultation, and appointed Mr Justice John Hedigan to the role of Chairman.

At the invitation of our regulators, Bank of Ireland took part in a number of events to contribute to the debate on cultural change in the sector. In October, our Group CEO Francesca McDonagh participated in a panel discussion as part of a joint Central Bank of Ireland (CBI) and Trinity College Dublin conference on corporate governance, 'Culture, Diversity and the Way Forward'. In November Francesca also addressed the European Central Bank (ECB) conference on 'Communications ethics and compliance: risk, reputation and returns' in Frankfurt, on the topic 'Values and valuations - why culture in banking really matters'.



Non-financial information statement

We aim to comply with the new 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.

Reporting Requirement	Policies	Risks and Management
Environmental matters	Group Environment policy (ISO 14001) ¹ Group Energy policy (ISO 50001) ¹	Environment & Energy (page 24)
Social and employee matters	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	Vulnerable customers (page 19) Inclusion and diversity (page 21) Learning (page 21) Wellbeing (page 21) Employee Representative Bodies (page 21) Communities (page 22) People risk (see full Annual Report)
Respect for human rights	Modern slavery and human trafficking statement ¹ Group procurement policy Group data protection and privacy policy	Information security (page 19) Operational risk (see full Annual Report)
Bribery and corruption	Group Code of Conduct ¹ Speak Up policy Group Anti-Money Laundering Policy (AML) Group Anti-bribery and Corruption Policy	Code of conduct (page 25) Integrity and honesty (page 25) AML (page 25) Conduct risk (see full Annual Report)
Diversity report	Board Diversity Policy ¹	Corporate Governance statement (see full Annual Report)
Business model		Divisional Review (page 32)
Policies followed, due diligence and outcome		Risk management framework (see full Annual Report)
Description of principal risks and impact of business activity		Key risk types (page 29) Principal risks and uncertainties (see full Annual Report)
Non-financial key performance indicators		Key highlights (page 1)

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

Responsible and sustainable business

Enabling customers to thrive

There are many sides to our responsibility to our customers. Supporting their financial wellbeing is a key part of this responsibility, as well as ensuring that we are inclusive of our more vulnerable customers. As the bank with the largest branch network in Ireland, we are uniquely placed to support the business community.

Tracker Mortgage

Serving customers brilliantly is one of our strategic priorities. In 2018, we placed a major focus on making things right for customers affected by the tracker mortgage issue - ensuring relevant customers were on the right rate and making them an offer of redress and compensation appropriate to their circumstances. We continue to engage with our regulator on the issue. We are fully committed to becoming a more customer focused bank, and to rebuilding trust with our customers and the wider society we serve.

Financial wellbeing

Financial wellbeing is defined as 'the extent to which someone is able to meet all their current commitments and needs comfortably and has the financial resilience to do so' (CCPC, 2018). We have

a responsibility to enable and promote financial wellbeing among our customers and our communities. In 2018, we focused our support in this area on our younger and older customers.

Younger customers

Within our youth segment, our main objective is to enable young people to thrive, through engaging financial wellbeing programmes for students throughout Ireland. Our comprehensive youth literacy programme focuses on two critical life-skill areas, financial skills and enterprise education.

Specific activities include:

- 'Talking Cents with Ollie magazine', a financial literacy magazine for primary schools.
- BizWorld, a two-day entrepreneurship programme for 4th and 5th Class students with over 10,000 participants in 2018.

- Financial Literacy Week to help secondary students understand basic financial skills.
- TY Academy - a three-day workshop that helps students develop key skills and provides practical guidance on starting their own business was held for students from 200 schools.
- Financial Literacy Weeks in third-level colleges, including the 'Quest Room' (an escape room with financial literacy questions).



Peter Cooney is one of 29 National Youth Coordinators supporting our financial wellbeing programmes for students. Based in Wexford and in the role since August 2017, Peter enjoys the opportunity to build a community and bring the youth programmes to life in schools.

Older customers

Supporting our customers at all stages of life is essential. We always strive to engage with our older customers to ensure we meet their ever-changing financial needs.

Specific activities include:

- 'Manage Your Money Safely' - a training programme with our flagship charity partner, Age Action, including a 60-minute session focusing on digital, card and doorstep security for older people. This has been delivered to 300 participants around the country since its launch in November 2018.
- Positive Ageing Week (PAW) 2018 - with Age Action. It included 54 Bank of Ireland events, held nationwide with up to 1,000 people attending in total.

We aim to enhance our services for older customers, with a new home-improvement loan proposition, wealth products, and Age Friendly Ireland reaccreditation, among other developments.



110,000

literacy hours delivered to students across Ireland

300

older people through the 'Manage your money safely'

620MW

of wind energy funded

€800,000

invested in communities across Ireland through our National Enterprise Programme



Silver thread

Silver Thread is a company set up by two women who believe everyone has a story to tell that can become part of their legacy. We worked with them on two initiatives in 2018. The first celebrated the centenary of Bank of Ireland Charlestown as part of Positive Ageing Week 2018; the second, at Bank of Ireland Finglas, captured some of our customers' Christmas memories. In both, we ran workshops with older people from the local communities (customers and non-customers) who brought photographs with them relating to the Charlestown and Christmas topics. Through dialogue and storytelling, the background of each photo was brought to life, and Carmel and Cathy of Silver Thread documented the stories in an exclusive book for participants to take away - and for local schools, libraries and Bank of Ireland branches to give to other members of the community. Silver Thread was a finalist in the ISAX Ingenuity (mature entrepreneur programme), which we supported.

Vulnerable customers

In November 2018, we created a Vulnerable Customer Segment team, responsible for providing regulatory and professional guidance to the Group, and for removing barriers affecting our vulnerable customers. Working with colleagues across many different disciplines, we helped create and distribute the 'Safeguarding your money' guide, which encourages customers to plan ahead for when they may need assistance in managing and safeguarding their finances. We also created a specialist Vulnerable Customer phone team.

Our focus for 2019 will be on redesigning our product and service review process, ensuring all new and existing products and services are assessed for vulnerable customers with reference to health, capability, resilience and life events. We also aim to provide additional translation services for both our vision and hearing impaired customers.

Supporting enterprise and business

Small and medium-sized enterprises (SMEs) are key contributors to the Irish economy, and we support them through our Enterprise programme, with a range of financing options and specialist insights across a range of sectors.

Enterprise and community programme

This programme is an important part of our brand and commercial strategy, and helps businesses and communities across Ireland to grow. €800k was invested in 2018 and initiatives included:

- Local Enterprise Activity - a range of local enterprise and community events including 40 Enterprise Town events, sponsorship investment in the National Start-Up Awards, and 12 workbenches and five partner facilities.
- National Enterprise Week - 23 events around the country under the theme of 'Investing for business growth'.
- National Enterprise Town Awards (NETA) - 83 entries from towns and villages across the country which culminated in a gala event in November.
- ThinkBusiness.ie - the number one small business reference site in Ireland, which offers entrepreneurs free advice on starting, running and growing a business.

Business support

We offer a range of support to businesses as they set up, establish and mature - from finance to help them make the most of opportunities, to providing specific expertise to sectors such as health, agriculture and manufacturing. Our support in this area includes:

- Business Start-up package - a two-year package for customers who have set up a new business in the last three years. It includes discounted fees, 24 months' free transactions, and two years' free subscription to Business Online.
- A range of other options to SMEs who wish to access finance through collaborations with the Strategic Banking Corporation of Ireland (SBCI) and MicroFinance Ireland.
- Sector events, providing specialist support and guidance to a range of sectors, including agriculture, healthcare, retail convenience and manufacturing.
- Financial literacy - pilot with DoLearnFinance (a tool targeted at business owner-managers who lack knowledge of financial accounts) launched on ThinkBusiness.ie to help Irish SMEs with financial literacy.

Financing housing and the green economy

Our fund to support home building will see the delivery of c.5,400 new family homes and 2,750 student beds including 1,400 under development over the next few years in Ireland. Bank of Ireland is also a leading financier of the renewable energy sector. We have been involved in the financing of over 1GW of energy projects in Ireland, of which approximately 620MW relates to wind farms. To date, the wind projects we have funded provide the equivalent of c.450,000 homes with green energy.

Information security

As our business becomes increasingly digital, it is vital we protect ourselves against cybercrime - and help our customers protect themselves. Our security operations team constantly monitors cyber security threats, implementing protective measures where needed. During the past year, we introduced a new-look Security Zone on our website, giving our customers security guidance, fraud alerts, and information on how to report suspicious online activity, emails or phone calls. We also held educational sessions in-branch for older customers, cyber security briefings for local businesses, and school visits with tips for children on how to connect safely. We supported Fraud Awareness Week, led by FraudSMART.ie, an initiative of the Banking & Payments Federation Ireland (BPFI). We will continue to invest in people and technology to protect customer information.



Workbench

Bank of Ireland Workbench is a unique concept which connects entrepreneurs, branch and community by offering free dedicated space for co-working, seminars, clinics and events to encourage innovation and new ideas. Tom McDonald, Niamh Butler and Orla O'Donnell (pictured above) are all regular users of one of our newest Workbenches in Kilkenny. The opening of this and others in 2018 brings our number of Workbenches to 12 across the country. A space away from home with a good working environment combined with the opportunity to meet and network with likeminded people are the main drivers for these start-ups to use Workbench. In 2018, Workbench collected the Excellence in Marketplace award at Chambers Ireland CSR Awards.

Responsible and sustainable business

Enabling colleagues to thrive

We strive to ensure that our colleagues are engaged and have the skills and capabilities to serve our customers brilliantly. At the same time, we are working hard to make our workplace more inclusive and diverse, so colleagues can be themselves and perform to their full potential.

Engaging our colleagues

To achieve our ambition and purpose and to embed our values, we have embarked on a multi-year transformation of our culture. Throughout 2018, we focused on building awareness of our purpose and values and establishing baseline measures. This was achieved through a series of roadshows which reached over 6,000 colleagues in 44 different locations

across the Group. We also held 'Open View' employee engagement surveys and skip-level meetings to gather feedback from colleagues. Colleagues told us that they welcome the opportunity to share their views; want to be involved in our transformation; support our strategic priorities; embrace flexible working and see more and more of us demonstrating our values.

Some of the key initiatives that were introduced in 2018 include:

- 'Change Makers' - a self-managed team of colleagues focused on driving changes, big or small, to improve our values based culture.
- Launch of a new Group-wide Recognition Scheme.
- Introduction of a new Competency Model that ingrains our values through every aspect of the employee lifecycle.
- Completion of a 'Ways of Working' pilot on flexible working that will be introduced across the Group in 2019.

Our Open View employee engagement surveys enabled us to measure colleague sentiment through our Engagement and Culture Indices. In 2018, our Engagement Index trended upwards from 50% to 55%, strengthened by colleague perceptions of our strategic priorities.

Our Culture Index is the primary measure of our cultural transformation and a measure of our colleagues' awareness, understanding, belief and demonstration of our Group Purpose and Values. As 2018 was the first year of our cultural transformation, the focus was on creating awareness, up 9% to July 2018, and ensuring understanding, up 8% to July 2018, with a baseline formed for belief and demonstration.

But there is more to do to build on this foundation. In 2019, our focus will be to improve the extent to which colleagues believe in the cultural transformation of the Bank and understand the change underway. This means delivering tangible changes that colleagues directly experience in their day to day working lives in the Bank. Initiatives to support this include:

- Delivery of 'values in action' workshops across all teams Group-wide.
- Embed 'agile ways of working' and methodologies.



- Continued focus on our Inclusion and Diversity journey to ensure colleagues can be themselves at work and develop to their full potential, while also attracting a diverse range of talents at all levels.

Inclusion and diversity

We are committed to creating an inclusive and diverse place to work. Our Inclusion and Diversity agenda continued to gain momentum and embed in 2018. In particular, we:

- worked towards our 50:50 gender balance target for management and leadership appointments by 2021. In 2018, appointments to management and leadership positions represented a 58:42 male / female split. This has created an improvement in the overall representation of women at management and leadership level from 36% to 37%;
- further developed our six colleague diversity networks; and
- improved data collection and reporting of diversity data on age and gender.

An assessment by the CBI in 2018 acknowledged the progress that has been made by the Bank in its Inclusion and Diversity agenda and also identified opportunity for improvement in the areas of succession planning, measurement and prominence of inclusion and diversity at senior levels. We are committed to further strengthening our work in these areas and will continue to measure progress against the targets we have set.



Agile Leadership Training

As part of our cultural transformation, we are embedding agile methodologies and work practices across the Group. As a first step in this process, we introduced leadership training to enable a shift to business agility.



Bank of Ireland alumni network

Our alumni form one of our most important communities. Anyone working in the Bank today is part of a much wider Bank of Ireland family, and our success is built on the hard work and dedication of those who have worked in the Group through the years. From our foundation to the present time, our organisation reflects successive generations of people who have made it what it is today, complete with its unique culture and heritage. We launched our

new alumni network in November to give former colleagues an opportunity to stay connected, reflect on our history and heritage together, and share in our future ambitions. We were delighted to welcome over 300 alumni members to our iconic College Green building for a network launch in December. There was a very warm atmosphere, with alumni members reconnecting with former colleagues and friends. Group CEO, Francesca McDonagh, spoke about the importance of strong alumni networks, and Alumni President, Stephen Mason, outlined plans for the network in 2019.

Learning

In 2018, we invested c.€14 million in developing the capabilities of our workforce - an important priority in supporting our transformation. This included a development programme for leaders on agile methodologies.

We continue to ensure learning is part of our DNA. This year, we developed a wide range of bite-sized learning experiences, designed for just-in-time learning on computers and mobile devices. 60% of our learning is now through digital channels, helping our people learn as quickly and effectively as possible. We introduced 40 new courses, and provided 162,000 hours of training, with individuals completing an average of 14.5 hours.

Talent management

An important means of developing talent and leadership is our Group-wide competency model. This comprises seven categories and we are currently integrating it across practices such as 360-degree feedback, succession planning, resourcing, performance achievement, and career and learning development. We put particular emphasis on improving capabilities across our organisation, with one of our competencies being 'Amplify Capability'. Developing female leaders is a key commitment. Our Accelerate programme which ran over nine months

with 62 participants supported the goal of appointments to management and leadership positions meeting a 50:50 gender balance.

Wellbeing

Wellbeing is about good physical and mental health, quality of life and prosperity. Building on our Be At Your Best programme, we continue to support wellbeing in our workforce, to help us attract and develop the best people, and improve productivity.

Our approach to wellbeing addresses three pillars: mind, body and experience (with colleagues sharing their experiences for the benefit of others). In 2019, we will run inclusive activities at all locations, and establish a clear Group focus and priorities.

Employee Representative Bodies

The Bank of Ireland Group engages with employee representative bodies (Financial Services Union, Services Industrial Professional and Technical Union (SIPTU), and Unite) in a constructive, professional and transparent manner. In the UK, our Partners' Council - an employee council dealing with business-as-usual issues - is recognised as one of the Top Three work councils in the UK by independent experts, the Involvement and Participation Association.

Responsible and sustainable business

Enabling communities to thrive

Our communities are those where we live and work - as well as other local and global groups; such as our partners, shareholders and regulators. We support the wider community through our charity and community initiatives, our contribution to arts and culture, and by playing an active role in society.



€4.9m

total community investment

1,396

volunteer days

Investing in our community

We encourage our colleagues to exercise good corporate citizenship by getting involved with local and national organisations focused on promoting the business, economic, social and cultural life of the communities we serve.

In 2018, we joined the London Benchmarking Group (LBG) to better understand, measure and benchmark our corporate community investment - which includes our Give Together charity investment programme, Enterprise Town programme, community sponsorships and financial wellbeing programmes. Using LBG methodology, we have calculated our total community investment in 2018 at €4.9 million with an additional €1.4 million given by our colleagues and 1,396 days volunteered.

Flagship charities

Throughout the year, we continued to work with our four flagship charity partners: Age Action, Irish Heart Foundation, Jack & Jill Children's Foundation, and the Alzheimer's Society in the UK. We made a tangible difference to their work in our communities, and our colleagues supported them through numerous initiatives throughout the year. We have focused on the impact of our support rather than simply on the amounts raised or days volunteered, and we are delighted to report the following results:

- 965 teachers trained by Irish Heart Foundation to provide CPR training to 184,142 students.
- 20,536 nursing hours given to Jack & Jill families across Ireland.

- 450 Bank of Ireland volunteers tackled 200 gardens of older people in Dublin, Cork and Galway as part of the Backyard Blitz in support of Age Action.
- 1,082 days of the Alzheimer's Society's 'side by side' service for people living with dementia in the UK.

Arts and culture

Seamus Heaney: 'Listen Now Again' is a major exhibition celebrating the life and works of one of Ireland's greatest writers. Officially launched by the President of Ireland, Michael D Higgins, it became the inaugural exhibition in the new Bank of Ireland Cultural and Heritage Centre in College Green in the summer of 2018. A partnership between the National Library of Ireland (NLI), the Department of Culture, Heritage and the Gaeltacht, and Bank



Head 2 Head Challenge – raising vital funds for Jack & Jill

In September 2018, 56 colleagues from across the Group formed one single team to cycle 'Head 2 Head' for Jack & Jill, raising €130,000, enough for more than 8,000 nursing hours for Jack & Jill families. The peloton and their crew travelled through some of Ireland's most picturesque but challenging locations, covering 700km over the six-day event – a great achievement, and memorable

for all involved.

'Being at Mizen Head to welcome in the Bank of Ireland cyclists was quite overwhelming for me and our Cork nurse Eilin. That physical and emotional effort was matched by the fundraising drive behind the Bank's Head 2 Head cycle for Jack & Jill, and I can guarantee that every €16 raised will be put to good use by funding one hour of home nursing care for our community of 357 precious children across the country'.

Carmel Doyle, CEO
Jack & Jill Children's Foundation

of Ireland, the exhibition focuses on the poetry for which Heaney is best known, and features original manuscripts, letters, unpublished works, diary entries, and photographs. It also includes personal objects, such as Heaney's desk from the family's home in Sandymount, a lamp that once belonged to WB Yeats, and a portrait by Louis le Brocquy.

Group CEO, Francesca McDonagh said, 'Bank of Ireland has been part of the fabric of Irish life for over 200 years and I am delighted our College Green buildings will now house an exhibition on the life and work of Seamus Heaney - a poet and writer of such national and international standing'.

Our direct economic impact

Through our activities and those of our customers - as well as the jobs we create and the taxes we pay - we make a significant contribution to the communities we serve in Ireland, the UK, France, Germany and the USA. Our footprint benefits both the economy and wider society. In 2018, Bank of Ireland provided €15.9 billion in new lending, spent €1.1 billion on goods and services, employed 10,367 people (EOY figure), and paid €0.37 billion in taxes to the Irish and UK exchequers.

Providing advice to our community

We frequently publish research to provide insight and enhance decision-making for stakeholders. This independent, thought leading research helps positively shape the communities where we operate, and we make it available to the public so everyone can access and benefit from it.

Our research includes:

- The Bank of Ireland Economic Pulse - charting changes in sentiment due to economic and political events. We conduct the surveys in partnership with the European Commission (EC), with the data feeding into a Europe-wide study, which has run since the 1960s. Topics include the economy and household finances, and we offer insights on topical issues like Brexit and regional infrastructure.
- The Bank of Ireland / Economic & Social Research Institute (ESRI) savings and Investment Index - tracking households' attitudes towards savings and investment, and monitoring their perspectives on the current and future savings and investment environment. The Index also provides a Risk

Barometer and a Retirement Optimism Index, to give insights into household risk taking and retirement planning. These are presented on alternate months.

Engaging with our investor and political community

Over the course of 2018, Bank of Ireland took part in a number of national and international hearings and events as part of our ongoing commitment to engage with our diverse communities including our investors and the political system. The Bank appeared at a number of Oireachtas committee hearings over the year, including the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach, and the Joint committee on Business, Enterprise and Innovation.

Our Group CEO, Francesca McDonagh, addressed the Bank of America Merrill Lynch Financial CEO Conference in London in September, a significant international event for investors and analysts from our sector. There has been ongoing engagement with our regulators in both Dublin and Frankfurt throughout the year and a series of national and international investor meetings and engagements especially following the publication of our annual and interim results.



Backyard Blitz – supporting Age Action

In June 2018, we undertook our largest-ever volunteering project, with over 450 colleagues tackling the gardens of older people in the East Wall area of Dublin, Renmore and Mervue in Galway, and Ballyphehane in Cork. 'Do not underestimate the value of this work. It was much more than tidying up a garden - for many older people it was about giving them back the opportunity to enjoy their outdoor space and all the benefits, both mental and physical, that come with that'.

Dermot Bannon, Ambassador

Responsible and sustainable business

Operating responsibly

We take seriously our responsibility to manage our impact on the environment and to reduce that impact. We must work to high standards and our Code of Conduct along with a range of policies outline the high expectations we set ourselves.



23%

reduction in carbon emissions to date

27,030kWh

of solar energy generated

53%

reduction in single-use cups to date

4

electric vehicle charging points

Managing our impact on the environment

50% reduction in carbon emissions by 2030

In May, we signed up to the Low Carbon Pledge to reduce our carbon emissions intensity by 50% by 2030. This is the first collective public commitment by Irish business to lead the transition to a low-carbon economy, and help Ireland achieve its international commitments under the Paris Climate Agreement.

The pledge is part of The Leaders' Group on Sustainability, a business coalition, convened by Business in the Community Ireland (BITCI) to address the most pressing sustainability priorities - social, environmental and economic - as well as future opportunities for Ireland.

To date we have achieved a 23% reduction in carbon emissions (on a 2011 baseline).

What we did in 2018:

- We increased the scope of our ISO 14001 and ISO 50001 systems from eight sites to the entire Bank of Ireland Group.
- We approved an LED lighting upgrade at our IT Centre (ITC) and Operations Centre in Cabinteely, with work beginning in January 2019.
- At our ITC in Cabinteely, we generated 27,030 kWh of solar renewable energy - enough to power 2,250 two hour car charges in a year.
- Four electric vehicle charging points are now live at our ITC in Cabinteely, with four more due at our Operations Centre in January 2019.



Enabling sustainable travel

Siobhán Gleeson bought her first electric vehicle in January 2018 because she believes it's the way of the future. It's good for the environment, as it reduces carbon emissions and other pollution. But in addition, it's cheaper to run with no need to buy petrol, reduced motor tax at just €120 a year, and significantly cheaper insurance and servicing. With a €5,000 grant from the Sustainable Energy Authority of Ireland (SEAI), Siobhán is now paying less for her car loan than she was previously paying for petrol.

When Siobhán first bought her car, she investigated the idea of having EV charging points installed at her place of

work (ITC Cabinteely). At the same time, Bank of Ireland was exploring the option of putting in place charging points. Within the year the charging points were installed representing a convergence of colleague requirements and the Bank's environmental programme. This has made a huge difference - for example, if she wants to go somewhere at lunchtime, she isn't worried that she won't have enough power to get back home later.

For those thinking about buying an electric vehicle, Siobhán says, 'go for it!' Along with the cost savings and environmental benefits, she finds it more relaxing without the constant engine hum. It has made her rethink the way she travels, and she is also more conscious of her speed.

colleagues and the communities in which we do business. It sets out the standards and behaviour expected from each of us. We must all keep to the Code when we deal with others, both within and outside the Bank of Ireland Group, and in our personal financial dealings. While the Code cannot be specific to every situation, its intention is very clear and it includes details of what action can be taken in certain situations. The Bank is focused on creating an environment where colleagues feel comfortable to speak up, and challenge where they feel it is appropriate.

Integrity and honesty

The Group has an Anti-Bribery and Corruption Policy Standard, which sets out that we expect all employees to act with integrity and honesty at all times in their dealings with business and commercial partners. This policy reiterates the Group's ethical and regulatory obligations to effectively manage bribery and corruption risks. All our employees complete mandatory online training to help them understand their obligations.

Anti-money laundering, countering the financing of terrorism, and financial sanctions

Our policies on anti-money laundering sanctions and countering the financing of terrorism set out the standards needed to ensure the Group meets its legislative and regulatory requirements relating to key risks in this area. All our colleagues complete mandatory web based training and pass the examination assessment.

Reducing plastic and other waste

A big part of reducing our impact on the environment is minimising waste. One important step is to greatly reduce our reliance on single use cups in our larger buildings in the Republic of Ireland and the UK, where we use nearly 740,000 of these cups a year. We have provided KeepCups to all colleagues in these buildings along with incentives to use them. To date this has resulted in a 53% reduction.

Other measures to reduce waste in 2018:

- All disposables in our canteens are 100% recyclable, and some are compostable.
- We no longer use any Styrofoam items.
- We recycle all our paper going to confidential waste (1,527 tonnes in 2018).

Sourcing responsibly

Our Group Procurement Policy sets out a framework for engaging with our suppliers including a commitment to procure goods in an ethically, environmentally, and socially responsible way. This includes requirements to reduce environmental impact and promote the application of good labour standards and working conditions. In accordance with relevant UK legislation, we published our statement on Modern Slavery and Human Trafficking for 2018 setting out the steps and measures we have taken to seek to ensure that modern slavery and human trafficking does not occur within our supply chain or in our business operations.

How we conduct ourselves

Our Code of Conduct outlines the high standards we set ourselves for what we say and do in our relationships with customers,



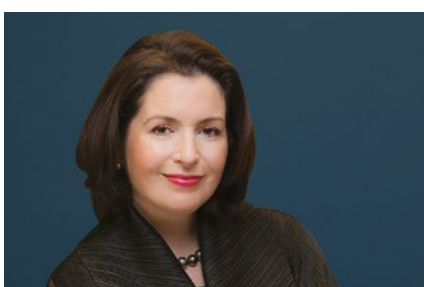
A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements, and to support the sustainable achievement of Group Strategy

Our governance structure

The Board's role is to provide leadership of the Group within the boundaries of risk appetite and a framework of prudent and effective controls which enable risks to be identified, assessed, measured and controlled. The Board sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.



Patrick Kennedy
Chairman



Francesca McDonagh
Group Chief Executive Officer



Patrick Haren
Deputy Chairman, Senior Independent Director and Non-Executive Director



Andrew Keating
Group Chief Financial Officer and Executive Director



Kent Atkinson
Non-Executive Director



Patrick Mulvihill
Non-Executive Director



Fiona Muldoon
Non-Executive Director



Richard Goulding
Non-Executive Director



Steve Pateman
Non-Executive Director



Evelyn Bourke
Non-Executive Director



Ian Buchanan
Non-Executive Director

The Board is supported by a number of Committees:

Group Nomination and Governance Committee

Patrick Kennedy
Chair

Responsible for leading the process for Board, and key subsidiary Board, appointments and renewals. The Committee regularly reviews succession plans for the Board, and key subsidiary Boards, and makes appropriate recommendations to the Board. In addition the Committee monitors developments in corporate governance, assesses the implications for the Group and advises the Board accordingly.

Group Remuneration Committee

Patrick Haren
Chair

Holds delegated responsibility for setting policy on the remuneration of the Governor and senior management (including Executive Directors) and approves specific remuneration packages for the Governor, each of the Executive Directors, the Group Secretary, and those senior executives who report directly to the Group Chief Executive.

Group Audit Committee

Patrick Mulvihill
Chair

Monitors the integrity of the financial statements, oversees all relevant matters pertaining to the external Auditors and reviews the Group's internal controls, including financial controls, and the effectiveness of the internal audit function.

Board Risk Committee

Richard Goulding
Chair

Monitors risk governance and assists the Board in discharging its responsibilities in 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.

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.

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 only be accepted at transaction, portfolio and Group level if:

- they are within our defined risk appetite;
- 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.

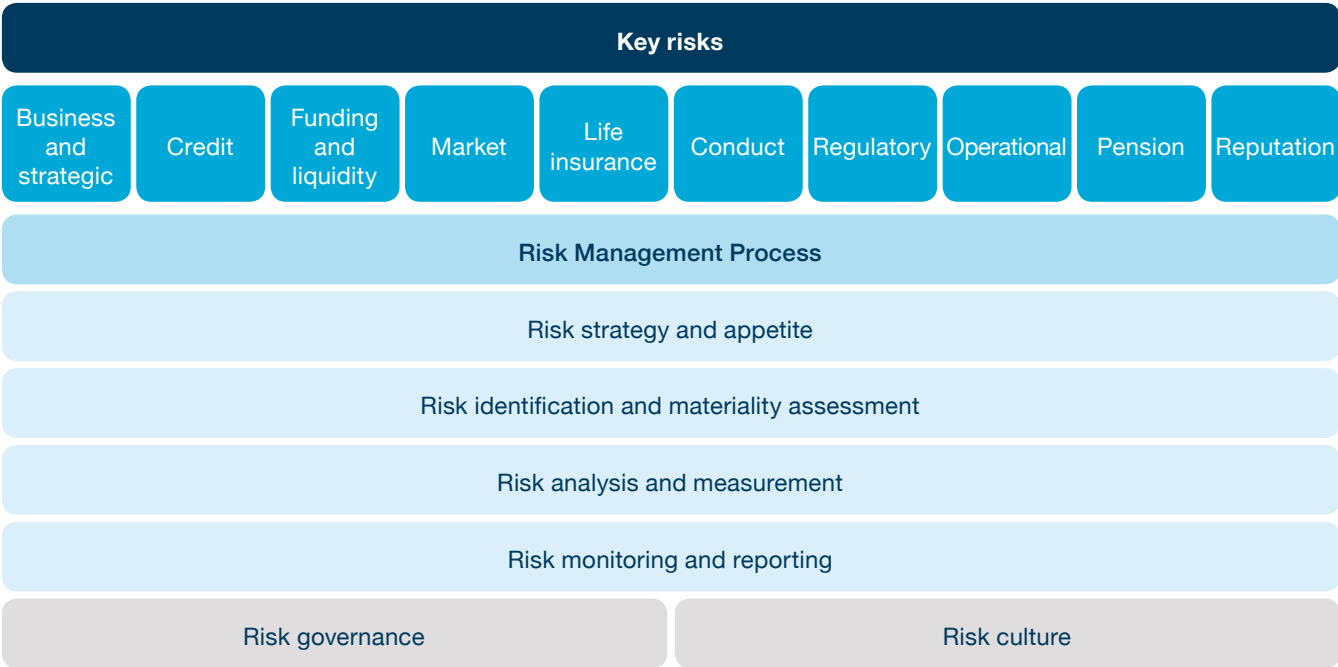
Group risk management framework - key components

The 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 the approach for setting risk appetite, risk identification, assessment, measurement, monitoring 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 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.

 For further information in relation to our risk management process please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com



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.

 For further information in relation to these risks please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com

Key risk types	
Business & 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 geopolitical uncertainty, and People risk.
Credit risk	The risk that counterparties fail to meet their contractual obligations to us arising from loans and advances to customers as well as financial transactions with other financial institutions, sovereigns, and state bodies.
Funding and liquidity risk	The risk that we have insufficient financial resources to meet commitments when they fall due.
Market risk	The risk of loss in the value of our assets and liabilities due to adverse movements in interest rates, FX rates or other market prices.
Life insurance risk	This risk of unexpected variations in the amount and timing of insurance claims due to, for example, changing customer mortality, life expectancy, health, and behaviour.
Conduct risk	This can arise if 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.
Regulatory risk	If we fail to meet new / existing regulatory / legislative requirements and deadlines or if we fail to embed regulatory processes into our processes.
Operational risk	Operational risks, such as, availability, resilience and security of our IT systems or process failures, can lead to financial loss, disruption of services to customers, and to damage to our reputation.
Pension risk	The principal DB pension schemes are subject to market fluctuations and are currently in deficit (per IAS 19) requiring us to set aside additional capital.
Reputation risk	The risk to earnings or the value of our franchise arising from damage to our reputation leading to a reduction in trust by customers, counterparties, investors, regulators and public at large.
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.

2018 financial results

The Group generated an underlying profit before tax of €935 million in 2018. All trading divisions are profitable and have contributed to our strong financial performance during the year.

Summary consolidated income statement on an underlying basis

These 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.

Profit before tax of €835 million for 2018 is €17 million lower than 2017.

Underlying profit before tax of €935 million is €143 million lower than 2017. The positive impacts of lower operating expenses and net impairment gains on financial instruments are offset by reduced operating income.

Operating income has decreased by €244 million compared to 2017 primarily due to:

- a **net interest income** reduction of €102 million, largely reflecting Tier 2 issuances, bond sales / maturities in 2017 and the removal of the amortisation of the NAMA subordinated debt (on transition to IFRS 9); and
- a **net other income** reduction of €142 million largely reflects the negative impact on valuation items of market movements and lower gains on asset disposals. However, the Group has increased its business income by 2% year on year, with the Wealth and Insurance division performing strongly.

Operating expenses (before levies and regulatory charges) of €1,852 million are €48 million or 3% lower than 2017. The Group continues to focus on reducing its operational costs while maintaining its investment in regulatory compliance, technology and business growth.

Our transformation programme continues to make progress and a further €306 million was invested in this programme in 2018, of which €100 million is capitalised on the balance sheet (2017: €91 million), with an income statement charge of €113 million (2017: €104 million) and €93 million (2017: €48 million) recognised through non-core items.

	2018 €m	2017 €m
Net interest income	2,146	2,248
Net other income	659	801
Operating income (net of insurance claims)	2,805	3,049
Operating expenses (before levies and regulatory charges)	(1,852)	(1,900)
Levies and regulatory charges	(101)	(99)
Operating profit before net impairment gains / (losses) on financial instruments	852	1,050
Net impairment gains / (losses) on financial instruments	42	(15)
Share of results of associates and joint ventures (after tax)	41	43
Underlying profit before tax	935	1,078
Non-core items	(100)	(226)
Profit before tax	835	852
Tax charge	(160)	(160)
Profit for the year	675	692

Net impairment gains on financial instruments of €42 million under IFRS 9 'Financial Instruments' for 2018 compared to a net impairment loss of €15 million under IAS 39 'Financial Instruments: Recognition and Measurement' for 2017. The gain reflected the continued strong performance of the Group's loan portfolios, positive outcomes from the ongoing resolution of NPEs, and a continued overall positive economic environment and outlook, albeit with continued Brexit-related uncertainty.

The Group reduced its **Non-core charge** by €126 million to €100 million for the year. The 2018 non-core charge primarily reflects

restructuring costs of €111 million, partially offset by a gain of €7 million on the disposal of a property. In 2017 non-core items included a charge of €170 million relating to the Tracker Mortgage Examination, there was no net incremental charge in 2018.

The **taxation charge** for the Group was €160 million in 2018 with an effective taxation rate on a statutory basis of 19% (2017: €160 million and 19%, respectively). On an underlying basis, the effective taxation rate in 2018 was 19% (2017: 17%). The effective tax rate is influenced by changes in the geographic mix of profits and losses and certain tax adjustments in respect of the prior year.

Summary consolidated balance sheet

	2018 €bn	2017 €bn
Assets (after impairment loss allowances)		
Loans and advances to customers (including held for sale) ^{1,2}	77	76
Liquid assets	25	24
Wealth and insurance assets	17	17
Other assets	5	6
Total assets	124	123
Liabilities		
Customer deposits	79	76
Wholesale funding	11	13
Wealth and insurance liabilities	17	17
Other liabilities	5	5
Subordinated liabilities	2	2
Total liabilities	114	113
Shareholders' equity	9	9
Non-controlling interests - Other equity instruments	1	1
Total liabilities and shareholders' equity	124	123
Liquidity Coverage Ratio ³	136%	136%
Net Stable Funding Ratio ⁴	130%	127%
Loan to Deposit Ratio	97%	100%
Gross new lending volumes (€bn)	15.9	14.2
Average interest earning assets	99	98
Return on Tangible Equity ⁵ (%)	8.5%	10.7%
Return on Tangible Equity ⁵ (adjusted) (%)	7.2%	7.0%
Common equity tier 1 ratio - fully loaded	13.4%	13.8%
Common equity tier 1 ratio - regulatory	15.0%	15.8%
Total capital ratio - regulatory	18.8%	20.2%

As of 1 January 2018, IFRS 9 'Financial Instruments' came into effect; the Group's 2018 financial results as set out in the table above have been prepared in accordance with IFRS 9. Comparative figures have not been restated for the impact of IFRS 9 and are presented on an IAS 39 classification and measurement basis. See note 65 on page 283 of the BOIG plc Group Annual Report 2018.

During the year, the Group's **loans and advances to customers (after impairment loss allowances)** and including loans and advances to customers classified as held for sale increased to €77.0 billion from €76.1 billion in 2017. Gross new lending increased by 13% to €15.9 billion compared to €14.2 billion in 2017.

The Group's **asset quality** continues to improve. **NPEs** reduced by €1.5 billion to €5.0 billion during 2018, and represented 6.3% of gross loans at 31 December 2018.

At December 2018, overall Group **customer deposit** volumes are €3.0 billion higher than 2017. The main driver of this movement was a €3.5 billion growth in Retail Ireland's current account credit balances, reflecting strong economic activity and a €0.8 billion increase in the Retail UK Division primarily due to an increase in Automobile Association (AA) and Post Office deposits, offset by a decrease of €1.2 billion in Corporate and Treasury due to pricing optimisation. The Loan to Deposit Ratio (LDR) at 31 December 2018 is 97% (2017: 100%).

Wholesale funding balances are €1.5 billion lower than 2017 primarily due to the repayment of Targeted Longer Term Refinancing Operation (TLTRO) funding. Total Monetary Authority borrowings at 31 December 2018 are €2.7 billion compared to €5.0 billion at the end of 2017.

The defined benefit (DB) pension deficit has decreased by c.€0.3 billion since 2017. The primary drivers of the movement in the pension deficit were the net positive impact of experience and assumptions changes in 2018, deficit reducing contributions of €116 million and additional liabilities of €4 million in respect of GMP Equalisation were recognised as a past service contribution.

The balance sheet remains strong with the Group generating **strong organic capital**. Our fully loaded **Common equity tier 1 (CET 1)** ratio decreased by c.40 basis points during 2018 to 13.4% and our regulatory CET 1 ratio decreased by c.80 basis points to 15.0%. The decrease of c.40 basis points is primarily due to organic capital generation, offset by risk weighted assets (RWA) growth, the impact of regulatory capital demand, investment in the Group's core banking platforms, an accrual for a proposed dividend, the impact of IFRS 9 implementation and other net movements. Further information on capital is set out in the Risk Management Report on pages 107 to 111 of the BOIG plc Group Annual Report 2018.

1 Includes €0.3 billion of loans and advances to customers at 31 December 2018 that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.

2 Includes €0.6 billion of loans and advances to customers classified as held for sale.

3 The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.







4 The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision (BCBS) October 2014 document.

5 For basis of calculation of Return on Tangible Equity (ROTE), see page 325 of the BOIG plc Group Annual Report 2018.

Divisional review

How the Group is structured

Bank of Ireland Group is one of the largest financial services groups in Ireland, with total assets of €124 billion at 31 December 2018. We provide a broad range of banking and other financial services. We are organised into four trading segments and one support division to effectively serve our customers.

Bank of Ireland 				
Retail Ireland	Wealth and Insurance	Retail UK	Corporate and Treasury	Group Centre
<p>Offering a broad range of financial products and services through the largest branch network in Ireland with 267 branches.</p> <p>One of Ireland's largest lenders with over €5.7bn lent to the Irish economy in 2018.</p> <p>2,800 front line colleagues and 1,000 specialist advisors in the community are focused on serving customers brilliantly and enabling our customers and communities to thrive.</p> <p>Serving c.200,000 SME customers across a diversified portfolio of sectors, with an average relationship tenure of c.17 years.</p> <p> For more information on Retail Ireland please turn to page 34</p>	<p>Formerly the Bank of Ireland Life operating segment now, as well as New Ireland Assurance, incorporates Private Banking, Investment Markets and Bank of Ireland Insurance Services.</p> <p>A leading life and pension provider and general insurance provider in the Irish market.</p> <p>New Ireland has been serving customers brilliantly for over 100 years.</p> <p>The Group is the only bancassurer in the Irish market.</p> <p> For more information on Wealth & Insurance please turn to page 36</p>	<p>Distributes consumer products via partners with trusted brands, a universal bank in Northern Ireland (NI) and strong niche businesses in attractive segments.</p> <p>Distributes products including savings, mortgages, personal loans and credit cards via its partnerships with UK Post Office and AA.</p> <p>Operates a universal bank in NI with 28 branches and six business centres, offering both retail and commercial banking.</p> <p>Strong niche businesses include: asset finance under the Northridge Finance and Marshall Leasing brands and FX via First Rate Exchange Services Limited (FRES).</p> <p> For more information on Retail UK please turn to page 38</p>	<p>Ireland's #1 Corporate Bank and leading treasury service provider.</p> <p>Corporate and Treasury incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large transaction property lending business.</p> <p>The Bank holds market leading positions in its chosen sectors, including corporate banking, commercial property, foreign direct investment and treasury.</p> <p> For more information on Corporate & Treasury please turn to page 40</p>	<p>Our business segments are supported by Group Centre: comprising Group Manufacturing, Group Finance, Group Risk, Group Marketing and Human Resources. The Group's central functions establish and oversee policies, and provide and manage processes and delivery platforms for the divisions.</p> <p>Group Centre plays an important role in enabling the Bank's purpose and creating value for stakeholders.</p> <p>We are the market leader in Ireland for robotics and automation, which operates from the Robotics hub in Cabinteely.</p> <p> For more information on Group Centre please turn to page 42</p>



Divisional review

Retail Ireland

Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers.

Business operations

Retail Ireland is one of the largest providers of financial services in Ireland and a leading supporter of house building and home buying. We have deep customer relationships with an extensive footprint at the heart of communities throughout Ireland. Over 40% of the Irish population has a relationship with us, with one in every three payments in Ireland being processed through our systems. We have a distribution network of 267 branches, phone contact centres, 1,600 self-serve devices, and online, smartphone and tablet banking applications. Our 2,800 front line colleagues and specialist advisors out in the community are focused on serving customers brilliantly and enabling our customers and communities to thrive.

Key business highlights for the year

Transform the Bank

- We invested in our channels and recruited additional frontline colleagues:
 - 101 branches upgraded to full service; two new branches and five additional workbenches; 28 branches refurbished and modernised; and
 - 250 additional frontline colleagues in our branches and contact centres.
- We introduced a 'my application tracker' feature, initially for credit cards.
- We developed a straight through car finance platform in partnership with motor dealers.
- With an average of over 10 million monthly engagements on our mobile app during 2018, up over 25% on 2017, our customers are increasingly choosing

Highlights

A leading supporter of house building and home buying in Ireland	New mortgage lending increased by 17%, maintained market share at 27%	Upgraded >100 branches, recruited 250 frontline staff
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digital and self-serve channels and we continue to invest in these offerings across all our businesses.

Serve customers brilliantly

- Additional frontline colleagues and branch upgrades have resulted in:
 - an additional annualised 92,000 customer counter service hours;
 - improved contact centre customer experience - faster response to customer phone queries; and
 - our customers are feeling the difference, with a significant reduction in complaints volumes.
- We hosted over 550 events as part of our National Enterprise Programme, reaching communities across the country through 'Enterprise Towns' and 'Workbench' events.
- We are making incremental changes driven by colleague suggestions through our continuous improvement programme.
- We have continued to digitise our customer journeys, giving customers choice and convenience to fulfil their product and service needs.
- We have aligned to their needs through the launch of 'Life Moments' customer propositions and 'Live Life' rewards programme.

Grow sustainable profits

- Market share maintained or increased across all key business lines.
- New mortgage lending in Ireland increased by 17% compared to 2017. We maintained our market share at 27% and re-entered the broker mortgage channel in Ireland in late 2018.
- New personal loans up 25% compared to 2017.
- We supported Irish businesses through:
 - a new Early Pay commercial finance product;
 - agriculture flexible lending solutions and refinancing proposition; and
 - access to expertise, information and seminars through our sector specialist teams.

Financial results

- Underlying profit before tax of €649 million in 2018 is 7% lower than 2017, the decrease is primarily due to lower operating income.
- Net interest income of €992 million in 2018 is 7% lower than 2017, primarily reflecting a reduction in average lending volumes, with lending yields remaining stable and with a marginal reduction in deposit pay rates.

€649m

Underlying profit before tax

-3%

Reduction in operating costs

+8%

New lending growth

€34.7bnLoans and advances
to customers**€47.7bn**

Customer deposits

+25%Customer mobile app
engagements

- Net other income of €272 million in 2018 is 5% lower than 2017, primarily driven by a €16 million adjustment in 2018 to the fair value of our preference shareholding in VISA (Europe) Inc. and lower business income mainly due to strategic customer initiatives and solutions.
- Operating expenses of €776 million are 3% lower than 2017 reflecting savings from lower staff numbers during the year and other cost savings initiatives.
- Loans and advances to customers (after impairment loss allowances) at 31 December 2018 of €34.7 billion were in line with 31 December 2017.
- Customer deposits of €47.7 billion at 31 December 2018 were €3.5 billion higher than 31 December 2017 primarily due to increases in current account credit balances.

➞ For further information in relation to our divisional results and measures referred to in our business segments please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com

Future outlook

We expect the new housing and mortgage market to continue to increase in 2019, as growing consumer confidence and employment, supported by favourable demographics, drive household formation and housing demand. We will seek to unlock this growth by supporting home building and buying, improving our customer experience and driving efficiency. For our business customers, notwithstanding Brexit uncertainties, Irish businesses are operating in a positive trading environment, with two thirds on a growth trajectory. Our diversified portfolio is well positioned to support this growth in enterprise.



Divisional review

Wealth and Insurance

Wealth and Insurance is a long established, market leading, life and pension provider and general insurance provider in the Irish market.

Business operations

Wealth and Insurance (formerly the Bank of Ireland Life operating segment) which includes New Ireland Assurance Company plc (NIAC), now also incorporates Private Banking, Investment Markets and Bank of Ireland Insurance Services, which were previously reported within Retail Ireland.

Wealth and Insurance is focused primarily on the retail and SME market. It has a diversified channel strategy, distributing via the Group's distribution channels, independent financial brokers and its own tied financial advisor network. It provides a range of protection, investment and pension products offering customers access to a wide range of investment markets and fund managers across its fund platform. The Group is the only bancassurer in the Irish market. Wealth and Insurance also provides access to home and car insurance through the appointments it holds with various underwriters through its general insurance provider.

Key business highlights for the year

Transform the Bank

- Invested in a significant transformation programme, including the launch of a new digital underwriting rules engine to further support customer experience and enhance online underwriting decision rates.
- Ongoing investment to digitise Wealth and Insurance platforms to deliver a modern digital business of scale.

Highlights

Increased penetration of the Bank customer base

Market share growth of 2%

New digital underwriting rules engine launched

Serve customers brilliantly

- Launched the Life Advice tool to support Online Family Protection, being the first of a planned series of developments designed to enhance the experience of our customers.
- Persistency rates increased during 2018 across all channels.
- Significant reduction in customer complaints in 2018 compared to 2017; Over 99% of complaints resolved within 40 days.

Grow sustainable profits

- Increased penetration of the Bank's customer base.
- Delivered a strong performance in the annuity market including writing the largest bulk annuity in the market in 2018.
- Increased new business volumes by 13% overall in Wealth and Insurance with a 15% increase in life and pensions new business.
- Increased share of the life and pension market to 20.1% (2017: 18.6%).
- Held €17 billion of assets under management, with positive customer flows into unit linked funds partly

offsetting the fall in assets arising from investment markets performance.

Financial results

- Underlying profit before tax of €67 million in 2018 (2017: €117 million). The reduction compared to the previous year is due to the adverse performance of investment markets in 2018.
- Annual Premium Equivalent (APE) new business sales were €302 million in 2018, consisting of €145 million of new lump sum business and €157 million of regular premium business.
- Operating profit of €114 million in 2018 was €28 million or 33% higher than 2017 due to higher operating income and lower operating expenses.
- Operating income of €241 million in 2018 was €22 million higher than 2017 mainly reflecting the positive experience on insurance business, strong new business growth offset by some margin reduction due to business mix.
- Operating expenses of €127 million in 2018 were €6 million lower than in 2017. Increased staff costs arising from salary increases were offset by a reduction in the number of staff. Non staff costs were also reduced as a result of the early impact of strategic initiatives.

€67m

Underlying profit before tax

-5%

Reduction in operating costs

€17bn

Assets under management

+15%

Life and pensions APE

+20%

Market share

#1

Ireland's only Bancassurer

- In 2018, unit linked fund prices reduced in aggregate over the year, particularly impacted by falls in equity markets, and the adverse variance relative to assumed growth led to an adverse investment variance of €27 million (2017: gain of €9 million).
- Interest rates in 2018 were slightly lower than 2017. However the spread on corporate bonds increased, particularly in the final quarter. The overall impact of the change in yields resulted in a €20 million loss in the year (2017: €22 million gain). The prior year benefited from the impact of narrowing bond spreads.



For further information in relation to our divisional results and measures referred to in our business segments please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com

Future outlook

The macroeconomic environment is expected to remain positive. Increased levels of income and employment along with favourable demographics will drive growth in the underlying individual pension, investment and protection needs of the population. Pension demand is also anticipated to grow, driven by a shift from DB to defined contribution (DC) and in anticipation of auto-enrolment. The Wealth and Insurance business will continue investing to support the growth plans of the business, improve customer experience and drive efficiency and cost reductions.



Divisional review

Retail UK

Retail UK continues to provide consumer banking in Great Britain and universal banking in Northern Ireland. Retail UK incorporates the financial services partnerships with the UK Post Office and the AA, Northridge Finance and our FX joint venture (FRES).

Business operations

The Retail UK division incorporates a consumer banking franchise distributing products including savings, mortgages, personal loans and credit cards through trusted brands - including the UK Post Office, the AA and other intermediaries. This business also has a universal bank in NI with 28 branches and six business centres, offering both retail and commercial banking and it has selected businesses in niche segments such as asset finance and leasing under Northridge Finance. The division includes the FX joint venture with the Post Office FRES, which provides retail and wholesale FX services and remains the largest provider of retail travel money in the UK. A supply contract with the Post Office also provides c.2,400 free to use Automated Teller Machines (ATMs).

Key business highlights for the year

Transform the Bank

- Delivered margin improvement through digital, product and process innovation and strong customer retention, in particular on our deposit portfolio.
- Progressing with our preferred option in relation to the strategic repositioning of the UK credit card portfolio which on completion will have a positive impact on future profitability and shareholder returns.
- Improvements such as the deposits servicing site which was upgraded in 2018 aimed at improving customer self-serve options and reducing call centre volumes. Within three months of the upgrade, usage had increased by c.35,000 users.

Highlights			
£70m increase in underlying profit before tax.	Strong volume and profit growth in segments such as Asset Finance with Northridge Finance gross new lending at £1.1 billion during 2018, an increase of c.30% year on year and a record for the business.	Retail UK delivered £3.3bn in new mortgage lending, up 3% on 2017.	Retail UK delivered new personal lending of £0.5 billion, up 70% on 2017.

Serve customers brilliantly

- Launched a number of new mortgage products aimed at supporting first time buyers.
- Emphasis on reducing level of complaints, and, in 2018 saw an increase in the number of complaints resolved at the first point of contact.
- In 2018 the mortgage business won 8 UK industry awards, while our personal loan product was second in a YouGov NPS survey.
- Our Post Office partner won the Moneyfacts Personal Finance provider of the year award and our AA Partner received a highly recommended award for Personal Loans provider of the year at the Moneynet awards.
- Improved end-to-end customer journeys, working closely with our partner, the Post Office, to improve customer application functionality, both online and in branches, replacing the need for certain paper applications and reducing processing times considerably.

- Agile principles have been applied in launching new products, improving efficiency and also enhancing end to end customer journeys.

Grow sustainable profits

- Improved cost of funds, along with a continued strong liquidity and capital position.
- Against a challenging mortgage market backdrop, delivered new mortgage lending of £3.3 billion, while maintaining strong risk discipline.
- Strong growth in asset finance with gross new lending of £1.1 billion, an increase of c.30% from 2017.
- FRES had a market share of 24% in 2018 and contributed £33 million and was awarded Best FX provider at the British Travel Awards 2018.
- Growth in unsecured lending business with gross new lending of £0.5 billion, an increase of 70% on 2017.

➔ For further information in relation to our divisional results and measures referred to in our business segments please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com

£161m

Underlying profit before tax

-2%

Reduction in operating costs

+13%

New lending growth

£24.4bnLoans and advances
to customers**£19.8bn**

Customer deposits

6%

Income growth



Financial results

- Underlying profit before tax of £161 million in 2018 (2017: £91 million). The increase of £70 million is primarily driven by increased operating income of £31 million, lower operating expenses of £6 million and reduced impairment losses of £34 million.
- Net interest income increased by £20 million, primarily due to growth in the consumer lending portfolios and improved funding costs on deposits, offset by reduced income from the mortgage business as margin pressures increased in the market.
- Net other income increased by £11 million, mainly due to improved net trading income, and the inclusion of the first full year's performance of Marshall Leasing, offset by lower net transaction fee income.

- Operating expenses have reduced by £6 million year on year as a result of the continued focus on cost management while still continuing to invest in new customer propositions.
- Impairment losses have decreased by £34 million or 34% compared to the prior year with strong arrears performance.
- Loans and advances to customers (after impairment loss allowances) at 31 December 2018 of £24.4 billion were £0.4 billion lower than 2017. This reflects net repayments and redemptions in commercial lending portfolios of £0.4 billion including the ongoing reduction in the GB business banking portfolio and £0.6 billion reduction in net mortgage volumes, partially offset by an overall increase in consumer lending of £0.6 billion, which includes Northridge and personal lending.

- Customer deposits of £19.8 billion at 31 December 2018 were £0.8 billion higher than 31 December 2017.

Future outlook

Retail UK remains committed to the UK market with a strategy focused on increasing returns. Despite Brexit uncertainty, Retail UK is targeting ongoing loan book growth, facilitated through growth in its various portfolios and distribution network, including mortgages, asset finance and personal loans. It will continue to work closely with our trusted brands, the Post Office and AA. This growth will be in the context of focused margin management, cost control, strong risk management and by targeting improved capital returns.

Divisional review

Corporate and Treasury

Corporate and Treasury is Ireland’s #1 Corporate Bank and leading treasury service provider.

Business operations

Corporate and Treasury incorporates the Group’s corporate banking, specialised acquisition finance and large transaction property lending business, across the Republic of Ireland, UK and internationally, with offices in Ireland, the UK, the United States (US), Germany and France. In addition, Corporate and Treasury specialises in the provision of customer treasury products and services and manages the Group’s treasury risks including market, funding and liquidity risks. During 2018, Group Treasury joined the division, centralising the management of these risks. Within the Republic of Ireland, Corporate and Treasury enjoys market leading positions in its chosen sectors, including corporate banking, commercial property, foreign direct investment and customer treasury products and services, while its acquisition finance business is well recognised by sponsors in its targeted segments within the European and US markets.

Key business highlights for the year

Transform the Bank

- Significant increase in the adoption of FX Pay, the Group’s online FX platform and continued to invest in customer experience enhancements including digital on-boarding and extensions to FX payment cut-off times.

Serve customers brilliantly

- Continued focus on ‘best in class’ customer service, through delivery of process improvements, efficiencies and the optimisation of relationship managers’ time supporting their customers.

Highlights

Corporate banking Ireland retained its position as Ireland’s number one corporate bank and continued to bank two out of every three new foreign direct investments in Ireland.

Property Finance maintained its position as a leading domestic lender to the Irish real estate market.

Markets and Treasury continued to invest in Customer Experience enhancements including; launch of €20 million unsecured FX facility to support businesses trading internationally and extensions to FX payment cut-off times on Business Online.

- Strong lending growth in Corporate Banking as we enabled our customers to achieve their ambitions.
- Successfully established a new team in Manchester to serve corporate customers in northern England as part of the strategic plan.
- Enhanced our ongoing customer communications programme, providing real-time insights to customers on market-related events and movements, distilling market related topics for their consideration.
- Launch of €20 million unsecured FX facility to support businesses trading internationally and the establishment of a loyalty programme.
- Property Finance maintained its position as a leading domestic lender to Irish real estate market by funding the construction of c.6,000 residential units across c.120 sites and a dominant domestic student accommodation financier; funding 3,250 beds including 1,900 under development.
- Acquisition Finance continues to have strong leveraged loan volumes in Europe and US with selective growth over 2018. The business’ longstanding private equity relationships resulted in c.85% repeat transactions with these key sponsors.
- In August 2018, executed an inaugural Euro BOIG Senior Transaction raising €750 million of Minimum Requirement for Own Funds and Eligible Liabilities (MREL) compliant securities. In September 2018, the inaugural Dollar BOIG senior debt issuance raised \$500 million, representing the Group’s first unsecured transaction targeting on-shore US investors for over 10 years.

Grow sustainable profits

- Corporate banking Ireland retained its position as Ireland’s number one corporate bank and continued to support two out of every three new foreign direct investments in Ireland.

€486m

Underlying profit before tax

-9%

Reduction in operating costs

+13%

Net lending growth

€15.0bn

Loans and advances to customers

€9.1bn

Customer deposits

62

Enterprise and community events in 2018

Financial results

- Underlying profit before tax of €486 million in 2018, a decrease of €59 million compared to 2017, primarily due to the adverse impact of market movements on valuation adjustments.
- Business net interest and other income of €706 million is €39 million lower than 2017, primarily due to a reduction in income arising from lower deposit volumes and a strong prior year not repeated in the current year.
- Financial instruments valuation adjustments are €7 million in 2018, a decrease of €32 million compared to 2017. The 2017 result was due to favourable market moves on derivative valuations not repeated in 2018.

- Operating expenses of €194 million are €19 million lower than 2017 due to lower staff costs and the disposal of IBI Corporate Finance during 2017.
- Net impairment losses on financial instruments of €41 million are €7 million lower than 2017.
- Loans and advances to customers at 31 December 2018 of €15.0 billion are €1.7 billion higher than 2017.
- Customer deposits decreased by €1.2 billion to €9.1 billion at 31 December 2018 due to pricing optimisation.
- The euro liquid asset bond portfolio was €3.3 billion higher than 2017 at €14.6 billion.

➔ For further information in relation to our divisional results and measures referred to in our business segments please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com

Future outlook

Corporate and Treasury will continue to drive ongoing improvement in customer propositions and experience; extending reach to new customers via technology platforms and solutions provision; and supporting growth in the Group balance sheet. Brexit risk is monitored carefully in all new business opportunities and Corporate and Treasury are actively supporting its customers to address the challenges which Brexit may present for them.



Michael Bloomberg visiting Global Markets on June 5, 2018

Divisional review

Group Centre

Group Centre comprises Group Manufacturing, Group Finance, Group Risk, Group Marketing, Group Human Resources and Group Internal Audit. The Group's central functions establish and oversee policies, and provide and manage processes and delivery platforms for the divisions.

Business operations

Group Centre's income and costs comprises income from capital and other management activities, unallocated Group support costs and the costs associated with the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS) along with contributions to the Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) fund.

Financial results

- Operating income of €24 million in 2018, a decrease of €21 million from 2017. This variance was primarily due to liquid asset disposals in 2017 which did not reoccur in 2018. This was partly offset by a €9 million gain from the partial disposal of NAMA subordinated debt.
- Operating expenses (before Transformation Investment and levies and regulatory charges) of €254 million in 2018 were €10 million higher than in 2017. The increase is reflective of increased investment costs in strategic initiatives, including higher amortisation charges arising from technology and infrastructure, along with costs associated with compliance and meeting regulatory expectations, partially offset by reduced staff costs.
- Our Transformation programme continues to make good progress and a further €306 million was invested in this programme in 2018, of which €100 million is capitalised on the balance sheet (2017: €91 million), with an income statement charge of €113 million (2017: €104 million) and €93 million recognised through non-core items.



- Total Transformation Investment costs recognised through non-core items were €93 million for the Group, of which €90 million was recognised through Group Centre (€74 million reflects a reduction in employee numbers, €8 million relates to programme management costs and other costs €8 million).
- Group Centre levies and regulatory charges were €97 million in 2018 compared with €94 million in 2017, an increase of €3 million.



For further information in relation to our divisional results please refer to our full Annual Report listed in the Investor Relations section of bankofireland.com



For more information and to download both the Strategic Report and Annual Report, please visit our website.

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