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Bank of Ireland Group plc
Strategic Report



**Bank of
Ireland**

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.

Inside this report

2019 key performance highlights	3
Chairman's review	4
Chief Executive's review	6
Our purpose and values	10
Our strategy	11
Divisional review	18
Responsible and sustainable business	24
Our governance structure	35
Risk review	38

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This Annual Report and other information relating to Bank of Ireland is available at:
www.bankofireland.com

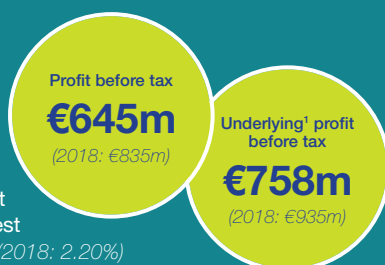


The Group's forward looking statement can be found on page 330 of BOIG plc Annual Report 2019.

2019 key performance highlights

Financial Performance

- Stable net interest income; net interest margin of 2.14% (2018: 2.20%)
- Costs reduced by €67m (4%)
- NPE ratio reduced by 190bps to 4.4% (2018: 6.3%)



Growth

- New lending up 3% to €16.5bn (2018: €15.9bn)
- Irish mortgage market share of 24%; increased SME market share
- 11% income growth in Wealth and Insurance



Transformation

- Cost reduction delivered in each of the last four reporting periods
- UK strategy making progress on 'invest in, improve and reposition' strategy
- New digital platforms launched



Capital

- Organic capital generation of 170bps
- Unlocked additional 40bps through capital initiatives
- Dividend increased by 9% to 17.5c per share (€189m) from 16c per share (€173m) in 2018



60%

employee engagement score
(increase of 5% since 2018)

56:44

male / female appointment to management and leadership positions

40%

reduction in carbon emissions intensity (on 2011 baseline)

c.€11m

invested in learning and development for colleagues

>100k

children participated in Financial Wellbeing programme

€1bn

Sustainable Finance Fund launched



Further information on measures referred to in our 2019 key performance highlights is found in Alternative performance measures on page 331 of BOIG plc Annual Report 2019.

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

² Underlying operating expenses exclude levies and regulatory charges and non-core items. Including these items total costs were €13 million or 1% higher than 2018.

Chairman's review

The Group has continued to deliver on its growth and efficiency strategy. With attractive market positions and the ongoing commitment of colleagues across the Group, the Board is confident that Bank of Ireland remains well placed to address ongoing challenges and deliver value for our shareholders.



I am pleased to report that over the past year the Group has continued to deliver on the growth and efficiency strategy laid out at our Investor Day in 2018. Our loan books and Wealth and Insurance business have grown, our cost¹ base has reduced, and our transformation programme has made further progress. However, we also face headwinds in our primary markets, most notably a lower-for-longer interest rate environment. In addition, heightened competition in the United Kingdom (UK) mortgage market, increases in regulatory capital requirements, and political change, including the ongoing uncertainties related to the UK's decision to leave the European Union (EU), all present business challenges. These headwinds are impacting the timeframe for delivery of some of our Investor Day targets; however, I remain confident we have the right strategy to deliver sustainable value for our shareholders.

Strategy

Our ambition is to be the National Champion Bank in Ireland, with UK and selective international diversification. To deliver on this ambition, we have outlined a clear strategy to transform the Bank, serve customers brilliantly and grow sustainable profits.

Last year, I wrote of the imperative for the financial services sector to adapt and develop to meet rapidly changing customer expectations. This remains as critical now as it was then. To this end, we have continued to make significant investments to transform Bank of Ireland, including our culture, our systems and our business model, and to enhance services to our customers.

The Group's culture continues to strengthen, with colleague engagement improving again during 2019. We have

made progress in modernising our systems, putting strong foundations in place across all our technology layers while improving efficiency and customer experience. We have also continued to transform the business model to create a leaner, simplified and more agile organisation. These investments and enhancements leverage our strong customer relationships to offer the right products and services at the right time. The rollout of the Group's new Mobile App and Wealth and Insurance digital platforms are important milestones.

We are also investing in our UK and international businesses. In the UK, we extended our long-term financial services partnership with the Post Office and exited credit cards, unprofitable Automated Teller Machines (ATMs) and current accounts. These actions are consistent with the imperative to improve returns in our UK business.

The Group's operating and financial performance, combined with continued organic capital generation, has contributed to a robust capital position in 2019. I am pleased to announce a proposed dividend to shareholders in respect of 2019 of 17.5 cent per share, an increase of 9% on last year's level. This demonstrates continued progress in line with our policy 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. To achieve this purpose, we must ensure that

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an appropriate corporate culture is embedded across the organisation, and that we conduct our business responsibly and ethically at all times.

We are demonstrating our commitment and heightened focus on all aspects of the Responsible and Sustainable Business (RSB) agenda. In 2019 the Group became a signatory to the United Nations (UN) Principles for Responsible Banking, which is aligned with the Paris Climate Agreement 2015. We are also a supporter of the Task Force on Climate-related Financial Disclosure (TCFD).

We launched Ireland's first Financial Wellbeing Programme, which underscores our commitment to do more to support the households and businesses that bank with us. The Group also advanced a number of green initiatives including our €1 billion Sustainable Finance Fund and continued progress on our Low Carbon Pledge.

We have realigned our governance structure to ensure that RSB is a key focus across all activities within the Group. The role of the Group Nomination and Governance Committee (GN&GC) has been expanded to oversee our RSB strategy.

Board

We are committed to ensuring that we have the right balance of skills and experience within the Board, including diversity across all its dimensions.

During 2019 Andrew Keating stepped down as Group Chief Financial Officer (CFO) and Executive Director of the Group after seven years during which he demonstrated a successful track record of financial leadership. He established a

strong finance function and was a key member of the Board and Group Executive team that saw Bank of Ireland repay fully all State aid, return the Group to sustainable profitability and resume dividend payments to our shareholders. We wish him well.

Myles O'Grady was announced as incoming Group CFO and Executive Director in October. Myles joined the Group earlier in the year as Director of Commercial Partnering and is a leading finance professional with 30 years' experience. He previously held senior roles across retail, business and investment banking, both in Ireland and internationally.

Eileen Fitzpatrick joined the Board in May. She brings extensive capital markets and public sector experience to the Group, having held a number of senior roles in both the asset management and stockbroking industries, and more recently was Head of New ERA at the National Treasury Management Agency (NTMA).

In December, Michele Greene was appointed to the Board, having been nominated by the Minister for Finance. Her experience as managing director of Digital Banking and director of Strategic Development at Virgin Money will further enhance the Board's experience in the areas of change and digital and technology innovation.

Remuneration

Staff turnover across the Group remains at reasonable levels. However, competition for talent in key prudential areas, such as risk, finance and compliance, has intensified as a consequence of the substantial increase in the presence of international financial services

organisations in Ireland. This challenge is accentuated by the impact of the remuneration restrictions under which the Group and some of its competitors operate. We are concerned about potential risks that could open up in the Irish banking sector as a result. This disadvantage is most keenly felt by investors in Bank of Ireland, as the only institution to have repaid fully the investment of the Irish taxpayer at the time of the financial crisis.

The Group's goal is to operate a remuneration policy, including variable remuneration, consistent with European Banking Authority (EBA) guidelines. These guidelines have been significantly extended to be much stricter than what operated in the past and enable much better alignment of the interests of all stakeholders (including in the delivery of regulatory and customer service objectives), with a much clearer emphasis on risk management and long-term sustainability.

Outlook

While the operating backdrop remains subject to political and economic developments, the progress delivered in 2019 in terms of lending, business income and efficiency is a testament to our strategic plan. The actions we are taking in response to this macro-financial backdrop demonstrate the flexible and responsive leadership by Francesca and her Executive team. With attractive market positions and the ongoing commitment of colleagues across the Group, the Board is confident that Bank of Ireland remains well placed to address ongoing challenges and deliver value for our shareholders.



Patrick Kennedy
Chairman

Chief Executive's review

We continued to deliver on our strategic priorities throughout 2019.



I am pleased to report that we have made good progress in delivering on our strategic priorities. For the second successive year, we have grown our loan book, expanded our Wealth and Insurance business, reduced our cost¹ base and lowered our non-performing exposures (NPEs). We grew our capital base during 2019 and are reporting an underlying profit before tax of €758 million for the period.

While Brexit related uncertainties persisted throughout 2019, the Irish economy has continued to expand. The economic fundamentals in our core home market remain supportive. Irish Gross Domestic Product (GDP) growth is expected to be 5.8% in 2019 while unemployment is at a low level. The UK economy remained resilient with moderate GDP growth and unemployment at a multi-decade low.

Strategic ambition

Our ambition is to be the National Champion bank in Ireland, with UK and selective international diversification. Our strategic priorities are to transform the Bank, serve customers brilliantly and grow sustainable profits.

18 months on from our Investor Day in June 2018, we have continued to make good progress in delivering on our strategy. In particular we are:

- supporting home building and home buying in Ireland;
- growing our loan book while maintaining commercial discipline on risk and pricing;
- growing our Wealth and Insurance business;
- improving efficiency and reducing our costs;
- benefitting from the investment in transformation of our culture, systems and business model;

- making demonstrable progress on the execution of our strategy in the UK to increase returns; and
- strongly generating organic capital with an increasing dividend.

How changing environment impacts our targets

Since Investor Day, the environment in which we operate has changed materially and is more challenging. Most notably from a financial returns perspective, there has been a change in interest rate expectations with interest rates now expected to remain at the current historically low levels for a number of years. Other factors include the prolonged period of uncertainty with respect to Brexit, which continues to influence the pace of credit formation in Ireland in both the mortgage and Small and Medium Enterprise (SME) markets, the heightened competitive environment in the UK mortgage market, and increased regulatory capital requirements. These external headwinds are impacting the timeframe for delivery of some of our Investor Day targets.

While we are implementing actions which will partly mitigate these challenges, we recognise that returns are also influenced by market conditions. We are therefore revising our targeted return on tangible equity (RoTE) for 2021 to c.8% (from in excess of 10%). We continue to target a return on tangible equity of in excess of 10% over the longer term.

We are creating a leaner, simplified and more agile organisation. The Group's relentless focus on cost management has seen costs reduce during each of the past four reporting periods. Reflecting this strong momentum we are lowering our cost target by €50 million to €1.65 billion in

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2021. We will do this while continuing to invest in our people and infrastructure.

Systems transformation

Our systems transformation is supporting growth, improving customer experience and driving efficiencies. We are already seeing the benefits of these investments. In 2019, we migrated debit cards to a new, more resilient platform, and we have modernised our payments infrastructure. We have also launched new Wealth and Insurance digital platforms, and the rollout to customers of our new Mobile App commences in Q1 2020.

Systems transformation, which requires the integration of our core systems with payments infrastructure and real-time digital customer interactions, is a complex process and must be managed carefully. The external landscape is evolving with technologies such as cloud and Application Programming Interfaces (APIs) positively impacting the way retail banks manage IT change. The business and regulatory landscapes have also evolved significantly while the pace of customer digital adoption and changing expectations has accelerated.

Our programme has responded appropriately and dynamically to these developments. We have invested in upgrading our legacy technology to meet new regulations. To support the rapid acceleration in digital transactions by our customers, we have invested in our payments infrastructure and card technology, and the resilience and security of our technology estate. We have also adopted a more modular approach for specific solutions, taking advantage of latest technologies to increase the pace of deployment for new digital services to our customers.

While the transformation of our systems will continue beyond 2021, we are committed to remaining within the guided transformation investment spend of €1.4 billion equating to an average of 50 to 60 basis points of Common equity tier 1 (CET1) capital annually until 2021. We expect that investment in transformation beyond 2021 will be at a lower level.

UK strategy

While it remains a challenging market, we remain committed to the UK and continue to make progress on our strategy to increase returns by investing in, improving and repositioning all parts of our portfolios.

We have increased our market share and grown lending in our consumer and Northridge businesses and launched our new 'Bespoke' mortgage proposition while maintaining commercial discipline on risk and pricing. We are reducing our UK cost base by simplifying our business model, including the sale of our UK credit card portfolio and exit from current accounts and unprofitable ATMs. We have also extended the Group's partnership with the Post Office, further enhancing the alignment of both parties to drive benefits.

As we expect the competitive market backdrop to persist, the achievement of our target returns of high single digits will now be beyond 2021. It is a strategic imperative to improve returns in our UK business.

Capital

Our capital position remains robust with strong organic generation of capital. The regulatory capital framework continues to evolve. In December 2019 the Bank of England (BoE) announced an increase in the UK countercyclical capital buffer (CCyB) resulting in a 30 basis points increase in the Group's regulatory requirements from December 2020. Reflecting this change we are increasing the Group's target CET1 ratio to in excess of 13.5% (from in excess of 13.0%) on a regulatory basis and on a fully loaded basis at the end of the Other Systematically Important Institutions (O-SII) phase-in period in 2021.

Our dividend policy remains unchanged; to increase on a prudent and progressive basis and, over time, build towards a payout ratio of around 50% of sustainable earnings.

Financial performance

The Group generated an underlying profit before tax of €758 million in 2019. Underlying operating profit before net impairment losses increased by 10%.

The Group's loan book increased by €2.5 billion during 2019 (€0.8 billion on a constant currency basis). Net lending growth of €2.0 billion and the acquisition of a portfolio of loans, was partially offset by NPE securitisation and sale transactions and the disposal of the Group's UK credit card portfolio. Total new lending volumes in 2019 were €16.5 billion, 3% higher than 2018 on a constant currency basis.

Our market share in new mortgage lending in Ireland was 24% in 2019. Strong positive momentum in market share of mortgage applications during the second half of 2019 provides a good pipeline for new mortgage lending in 2020. We remain the leading corporate and business bank in Ireland, with growing SME market share. We have €1 billion of facilities approved to support the delivery of c.9,000 new homes and 2,000 student accommodation units across Ireland.

Net interest income (NII) of €2.15 billion was in line with 2018. Net interest margin (NIM) was 2.14%, in line with our expectations. The Group's NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, offset by the sale of our UK credit card portfolio, competitive pressure in the UK mortgage market and growth in liquid assets. We expect full year 2020 NIM to be c.2.05%, primarily driven by the impact of the low rate environment on our structural hedge portfolio and further growth in liquid assets. 2020 NII is expected to be broadly in line with 2019.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange (FX) and transactional banking fees. This includes business income of €666 million which, after excluding the impact of non-core income relating to UK credit cards and ATMs, is 6% higher than for the same period in 2018. Our Wealth and Insurance business was a key driver of this growth where operating income increased by 11%, annual premium equivalent (APE) new business sales were up 11%, Life market share grew 2% to 22%, and penetration of the bank customer base increased from 26% in 2018 to 32% in 2019.

We are transforming our culture, systems and business model, delivering efficiencies across the Group. Operating expenses (excluding levies and regulatory charges) reduced to €1,785 million in 2019, a decrease of 4% compared to 2018. A 6% gross reduction in costs, driven by simplifying our organisation, sourcing strategically and improved ways of working, created capacity to absorb higher depreciation and targeted investment in our people and infrastructure. Non-core charges of €113 million include amounts relating to our customer redress programme (the Tracker Mortgage Examination) together with restructuring charges related to our cost reduction programmes.

Asset quality has remained strong in 2019 with improvements in particular across loan portfolios with elevated levels of NPEs. Our NPEs reduced by €1.5 billion to €3.5 billion, equating to an NPE ratio of 4.4% of gross customer loans. This reduction reflects working closely with customers to agree sustainable solutions (€0.9 billion), and NPE securitisation and sale transactions (€0.6 billion).

A net impairment charge of €215 million in 2019 compared to a net impairment gain of €42 million in 2018. This primarily reflects a more normalised level of impairments and also losses on a small number of large exposures during 2019. Absent a deterioration in the economic environment or outlook, we expect the impairment charge to be at the upper end of a range of 20 to 30 basis points per annum during 2020 to 2021.

Our fully loaded CET1 capital ratio at December 2019 was 13.8%. The Group generated 170 basis points of organic capital in 2019. In addition, the Group unlocked 40 basis points of capital from the securitisation of non-performing Irish mortgages and the sale of the UK credit card portfolio. We continue to strategically optimise, invest and allocate capital to support investments in loan book growth, transformation, regulatory capital demands and distributions to our shareholders.

Our dividend policy remains unchanged. A dividend of 17.5 cent per share or €189 million, a 9% increase on 2018, is proposed in respect of full year 2019.

Customers, Colleagues and Communities

Our customers are at the heart of everything we do. We have been listening and responding to their preferences by meeting their financial requirements through easy, simple and accessible processes aligned to their digital expectations. We continued to invest in our digital channels, branch network and contact centres in 2019. We launched our

new brand strategy and supported and partnered with our customers in preparation for Brexit with the launch of a €2 billion Brexit fund and dedicated FX facilities.

During 2019, we introduced Ireland's first Financial Wellbeing programme, designed to help customers to better understand, plan and improve their finances and inspire financial wellbeing in Ireland. The programme includes an online Financial Wellbeing Centre, a Financial Wellbeing Lab, and Financial Health Checks for Personal and Business customers. Other Financial Wellbeing initiatives include:

- a Youth programme focused on the delivery of financial literacy to schools, as well as third level campuses nationwide;
- a Seniors programme, with a series of seminars and supports delivered by the newly appointed Financial Wellbeing Coaches;
- roll out of a LifeGoals advisory service and a new Digital Investment self-service tool; and
- launch of a Vulnerable Customer Unit (VCU) to provide banking support to customers facing challenging circumstances.

We launched our new People Strategy which is aligned to our purpose, values and strategic priorities. A positive shift in culture is evident across the organisation, and engagement by colleagues has increased by 10% to 60% in the past two years. We are focused on attracting and retaining talent, ensuring the Group retains a bench strength of skills and expertise, enabling senior management development. A key inclusion and diversity target is to achieve a 50:50 gender balance for management and leadership appointments by end 2021. For 2019, females represented 44% of all senior appointments.

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

thrive. In October 2019, on behalf of the Group, I signed the UN Principles for Responsible Banking. While we recognise there is more to do in the banking sector, these pledges are key steps in our RSB agenda and signify our commitment as Ireland's leading bank, to support the global drive to address climate risks and be a responsible business partner for our customers, communities and colleagues. We have also enhanced our governance structure to provide more Board and senior management ownership and oversight for our RSB agenda. During 2019 we launched our €1 billion Sustainable Finance Fund and in doing so became the first bank in Ireland to offer a 'Green' mortgage. The aim of our Sustainable Finance Fund is to support homeowners and businesses across Ireland on their low carbon journey through encouraging and rewarding energy-efficient homes, retrofitting of older properties, and SME and agriculture investment in energy efficiency.

Sustainable returns

2019 has been a year of further growth in lending, increased business income and improved efficiency. We have made good progress in the transformation of our culture, systems and business model and in delivering on our UK strategy. We have strongly generated organic capital and improved the asset quality of our loan portfolios.

We are mindful of the risks, challenges and uncertainties relating to the global economy, interest rates and Brexit. We are targeting growing RoTE from 6.8% in 2019 to c.8% by 2021, driven by business growth and further cost reductions partially offset by the impact of the lower interest rate environment. Longer term we will continue to target a RoTE of in excess of 10%. We will continue to responsibly develop our profitable, long term franchises and to serve our customers brilliantly in a way that delivers attractive, sustainable returns to our shareholders.



Francesca McDonagh
Group Chief Executive



Kai Restaurant owner **David Murphy**
with Bank of Ireland Eyre Square
business advisor Angela Maguire.

Our purpose and values

Bank of Ireland has a clearly articulated purpose underpinned by four key values, supporting our ambition to be the National Champion Bank in Ireland.

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, by innovating and adapting to meet our customers' needs.

Communities are where we live and work - and include groups such as our shareholders, regulators, governments and partners - at both a local and a global level.

Our values

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

Customer focused

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

One Group, One Team

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

Agile

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

Accountable

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

Our ambition

To be the National Champion Bank in Ireland with UK and selective international diversification

National Champions are recognised as consumer champions, drivers of economic growth with strong market shares, employers of choice, and have strong brand positions. As we work to deliver this ambition, we continue to transform the Bank of Ireland experience for our customers, colleagues and communities.

Throughout 2019, we have introduced a range of measures designed to make it easier for our customers to bank with us. We have invested in our colleagues. And we have started to transform our brand, unveiling significant initiatives that - in line with our purpose - will enable our customers, colleagues and communities to thrive.

To achieve our ambition we have set three strategic priorities - to transform the bank, serve customers brilliantly, and grow sustainable profits. Our strategy to 2021 is anchored in these goals and is underpinned by clear financial targets.



Our strategy

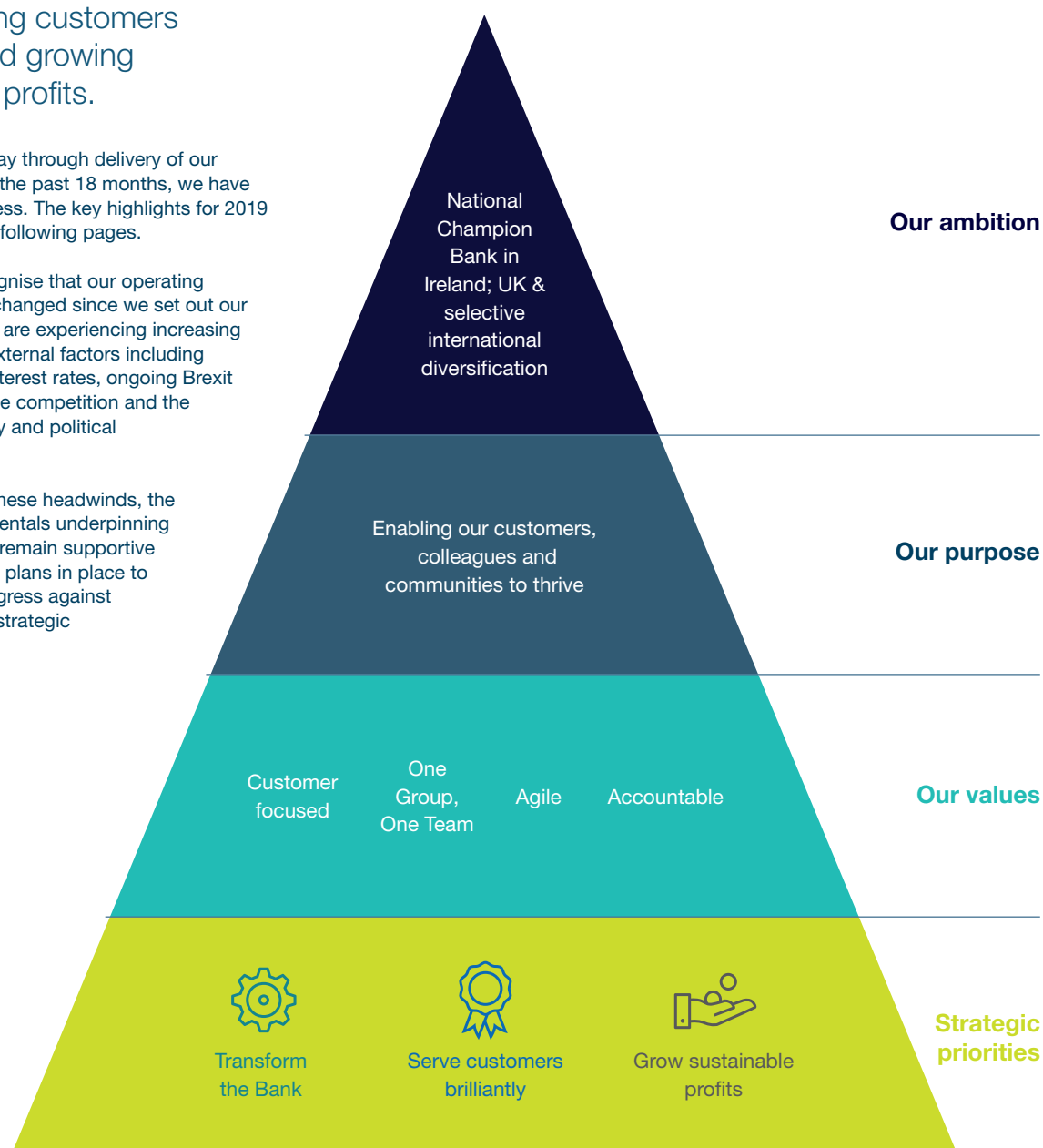
To transform the Bank, to serve customers brilliantly and to grow sustainable profits.

At our Investor Day in June 2018, we set out our strategic plan to 2021. Our three strategic priorities are transforming the Bank, serving customers brilliantly and growing sustainable profits.

We are now midway through delivery of our strategy and over the past 18 months, we have made good progress. The key highlights for 2019 are set out on the following pages.

However, we recognise that our operating environment has changed since we set out our strategic plan. We are experiencing increasing challenges from external factors including lower for longer interest rates, ongoing Brexit uncertainty, intense competition and the evolving regulatory and political environment.

Notwithstanding these headwinds, the economic fundamentals underpinning our strategic plan remain supportive and we have clear plans in place to deliver further progress against each of our three strategic priorities.



Our strategy

Transform the Bank

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



Culture



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

Target outcomes

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

2019 highlights

- We continued to embed a customer focused culture throughout the Group with the establishment of an executive Culture Steering Committee and ongoing participation in the Irish Banking Culture Board.
- Our colleague engagement score at 60% continues to improve, up 10% since we started measuring two years ago.
- The Group's Culture Embedding Index, which measures the awareness, understanding, belief and demonstration of our purpose and values was 66% in October 2019, up 11% from the previous survey in 2018.
- In 2019, the Group's gender ratio of management and leadership appointments was 56:44 male / female. We are further investing in dedicated programmes to build gender balanced talent and accelerate future female leaders.
- We held our inaugural Group Recognition Awards in March 2019 acknowledging exemplary colleague behaviour aligned to our purpose and values.
- The Group won the inaugural Diversity and Inclusion Award at the 2019 Business & Finance Awards.

Systems



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

Target outcomes

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

2019 highlights

- Our new Mobile App went live with a colleague pilot underway.
- Completed the largest customer migration in the Group's history with over two million customers transferred to a new more resilient IT platform for debit card and ATM transactions.
- We launched our Digital Investment Platform and Insurance Wallet.
- Harnessing robotics, we increased the degree of automation of over 100 business processes, improving customer experience and reducing operational risk and costs.
- Continued investment in the development of key customer data and security platforms, enhancing data management, meeting regulatory requirements and reducing operational risk.

Business model



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

Target outcomes

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

2019 highlights

- Significant progress made in simplifying our organisational structure to create a leaner more agile business that is closer to our customers, with our end state structure now 97% complete.
- We achieved a €11 million¹ or 2% reduction in staff costs from 2018, while continuing to invest in our customer facing businesses and building internal capability in key areas such as IT change delivery and analytics.
- We have successfully rolled out flexible ways of working across the Group, with 3,500 colleagues now working in agile workspaces, facilitating a 27% reduction in the office space occupied over the last two years, including the exit of two Dublin city centre properties in 2019.
- We have simplified the process for first time buyer mortgages improving customer experience by accepting over 70% of documents in digital form (up from 40% previously).

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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 into their lives.



Embedding
voice of
customer
in our
businesses



Customers are the heart of our business. The way customers bank and the products and services which they expect are changing and evolving faster than ever. We are committed to supporting our customers' needs and financial wellbeing by offering customer centric propositions and services to enable our customers to thrive.

Target outcomes

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

2019 highlights

- Our customer effort score, which measures ease of service experience, continues to improve at +49, up from +36 at the start of 2019.
- We introduced Ireland's first Financial Wellbeing programme to help customers improve their financial literacy, capability and confidence, offering youth, seniors, vulnerable customers and business customers financial wellbeing supports.
- We are supporting and partnering with customers in preparation for Brexit which includes a €2 billion Brexit fund, enhanced FX facilities and hosting Brexit briefings across Ireland with c.1,400 customers attending.
- We launched a Treasury Academy in partnership with Trinity Business School which was attended by more than 120 businesses in 2019.
- Our Brilliant Basics initiative is putting customers' needs at the heart of planning and decision making, with over 5,000 suggestions received since its launch in 2018 and c.50% which have the broadest customer impact actioned to date.
- In the Republic of Ireland (RoI) customer complaints fell by 29% from 2018, reflecting ongoing investment in improved customer service.

Investing in digital and physical channels



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

Target outcomes

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

2019 highlights

- Our transactional customer experience score combined across all channels has increased by 40% in 2019.
- We continued to improve our customer experience with an investment of €20 million in our branch network in 2019, optimised resourcing in our contact centres and enabled customer improvements in our digital channels with over six million digital form users, up 40% from 2018.
- Over 60% of personal loan applications are now made via mobile phone.
- Over one million customer logins have been recorded to our new digital application tracker which facilitates real-time order tracking, initially for personal loans customers.
- Our new digital personal current account page speed is now three times faster for mobile users.
- We launched our new Life Advice digital investment tool enabling customers to improve their Financial Wellbeing and plan for the future with 900 customers registered since its launch in December 2019.
- We have expanded our Open Banking APIs enabling us to innovate and serve our customers in new ways.

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.

Target outcomes

- Number one Bank brand in Ireland.

2019 highlights

- We launched our new brand strategy 'Begin' in early 2019 and awareness of Bank of Ireland communications grew significantly over the year.
- In November 2019, we re-certified to the Business Working Responsibly Mark; an independently audited standard for sustainability in Ireland.
- We launched a Sustainable Finance Fund, which offers €1 billion in Green Loans at reduced rates for energy-efficient properties.
- The Group signed the UN Principles for Responsible Banking in October 2019.
- We continued to support all of our communities, through sponsoring all four provincial rugby teams and the Emerald Warriors, Ireland's leading LGBT+ rugby club.
- During Bank of Ireland's 2019 National Enterprise Week, the Group hosted a national programme of 26 events attended by over 1,600 small business and agriculture customers.
- Bank of Ireland sponsored the National Enterprise Town Awards (NETA) for the fourth year running, with 117 entries and 80 towns competing.

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, we are reducing our costs each year as we drive efficiency and streamline our business. Our UK business is being reshaped to increase returns and reduce costs.



Business growth



Creating growth in our Irish business will increase lending volumes, interest income and fee income. We are allocating capital and resources to become the leading supporter of home building and home buying in Ireland, and to grow our wealth management and insurance business. As Ireland's leading retail and commercial bank and the only bancassurer in the market, we are building on our strengths, supported by strong fundamentals - in particular the demand for housing and supportive demographic changes as called out in Ireland 2040, the National Planning Framework.

Target outcomes

- To become the National Champion Bank in Ireland with UK and selective international diversification.
- To be the leading supporter of home building and home buying in Ireland.
- Building our Wealth and Insurance business.
- Measured and commercially disciplined loan book growth.

2019 highlights

- Underlying¹ profit before tax of €758 million.
- Net lending growth of €2 billion with gross new lending volumes of €16.5 billion, 3% higher than 2018.
- Market share in new mortgage lending in Ireland of 24%.
- We have €1 billion of facilities approved to support the delivery of c.9,000 new homes and 2,000 student accommodation units across Ireland.
- We grew our market share of lending to SMEs with strong performances in Manufacturing, Agriculture, Retail Convenience and Healthcare.
- Ireland's number one Corporate Bank with net lending growth of €1 billion.
- We have leveraged our position as Ireland's only bancassurer increasing the penetration of Wealth and Insurance products to our banking customer base to 32% and growth in operating income of 11% in 2019.
- Organic capital generation of 170 basis points, enabling investment in loan book growth, transformation and dividends.
- Continued reduction in NPEs to 4.4% of gross loans - the first Irish bank to get below 5%.

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

Continued cost reduction



We expect our costs to reduce every year between now and 2021, delivering a total cost base of €1.65 billion.

Target outcomes

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

2019 highlights

- Sustained momentum on journey to become a more efficient organisation, with year on year cost reduction of 4% or €67 million (before levies and regulatory charges).
- Total costs of €1,785 million in 2019, down from €1,900 million in 2017. Gross cost savings of c.€215 million achieved by simplifying the organisation, strategic sourcing and improved ways of working have created capacity for c.€100 million to absorb higher depreciation and targeted investment, over the same period, in transformation and our people.
- Underlying cost income ratio reduced by 2% versus prior year.
- Announced a more ambitious cost target for 2021 cost base of €1.65 billion, down from prior target of c.€1.7 billion.

Reshaping the UK business



We are committed to the UK market where our focus is on increasing returns. We are investing in businesses that are generating profitable returns, improving returns in businesses with potential and repositioning other businesses including exit from the credit card business and wind down of legacy branch assets.

Target outcomes

- Improving returns.
- Lower cost of funding, acquisition and servicing.
- New propositions targeting under-served customer segments.
- Reviewing those portfolios and products where returns are below expectations.

2019 highlights

- We extended our longer-term financial services partnership with the UK Post Office.
- Reduced UK costs by £64 million from 2018, improving UK cost income ratio from 65% to 60%.
- Disposed of UK credit card portfolio in July 2019 and optimised the ATM estate.
- Launched new higher margin bespoke mortgage products, with drawdowns of £225 million during the year.
- Northridge new business lending exceeded £1.3 billion (+26% on 2018), primarily reflecting increased sales across its established intermediary distribution combined with new relationships during the year.
- The Group's inaugural UK wholesale funding transaction raised £350 million in long-term secured term funding.

Divisional review

Our business model

Bank of Ireland Group is one of the largest financial services groups in Ireland, with total assets of €132 billion at 31 December 2019. 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.



Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on pages 41 to 57 of BOIG plc Annual Report 2019.

Retail Ireland

Serving consumer and SME customers across a broad range of segments and sectors. Delivering financial products, services and propositions tailored to meet their needs through branch, phone and digital banking channels. Operating as one of Ireland's largest lenders with €5.8 billion lent to the Irish economy in 2019.

Wealth and Insurance

A leading provider of life, pensions, general insurance, investment and savings products in the Irish market. The Group is the only bancassurer in Ireland operating through New Ireland with its history of over 100 years and encompasses Private Banking and Bank of Ireland Insurance Services.

Retail UK

Distributes consumer products via own brand and partnerships with trusted brands (Post Office and the Automobile Association (AA)) and operates a universal bank in Northern Ireland (NI) as well as strong niche businesses in attractive segments, which include asset finance under the Northridge Finance and Marshall Leasing Limited (MLL) brands and FX via First Rate Exchange Services Limited (FRES).

Corporate & Treasury

Ireland's number one Corporate Bank¹ and leading treasury service provider incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large-transaction property lending business across the RoI, UK and internationally with offices in the United States (US), Germany, France and Spain. Holds market leading positions in chosen sectors, including corporate banking, commercial real estate, foreign direct investment and treasury.

Group Centre

Group Centre comprises the Group's central control functions, which establish governance and oversee policies, and provide and manage processes and delivery platforms for the trading divisions.

¹ Based on corporate lending information sourced from publicly available annual reports for 2018 for all Irish banks, Bank of Ireland analysis of its banking relationships with companies from the 2019 Irish Times Top 500 companies list and Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI 2019.

Divisional review

Retail Ireland

Retail Ireland serves consumer and business customers across a broad range of segments and sectors with financial products, services and propositions tailored to meet their needs.



Transform the Bank

- Digital personal current account application via mobile launched. Average time to submit is six minutes with account details received same day.
- Launch of digital car loan applications integrated within car sales websites.
- Digital applications for loans and credit cards grew by 20% in 2019. Customers can digitally track the progress of their application in real time.
- Improved customer experience, reduced risk and increased efficiency through robotics automation of approximately eight million common customer tasks - (up 40% on 2018).
- Mobile devices continue to be the digital channel of preference, with >75% of all visits now happening this way.
- A further 58 branches refurbished as part of our Branch Investment programme in 2019.
- On-boarding of mortgage brokers accelerated during 2019. Further expansion of the channel is planned for 2020.

Serve customers brilliantly

- Improved customer service experience, through our Brilliant Basics programme, where frontline colleagues identify continuous improvement initiatives.

- As a result, our Customer Effort Score (measuring service experience across channels) is up from +36 to +49 and we have seen a 29% decrease in complaints in 2019.
- Launched Ireland's first Financial Wellbeing programme. Over 100,000 visits to the online Financial Wellbeing Centre to date.
- Expanded our Youth Financial Literacy Programme, making it available to over 500 secondary and 3,000 primary schools.
- Market leading, customer-centric Life Goals financial planning tool launched.
- Established a Vulnerable Customer Unit, supporting advocacy groups and frontline colleagues to meet the needs of vulnerable customers.
- Enhanced Bereavement Support journey, with a 'tell us once' approach and online access to advice, forms and a document upload facility.

Grow sustainable profits

- Underlying profit before tax of €468 million in 2019 is 28% lower than 2018, primarily due to a higher impairment charge in 2019.
- Both net interest income of €990 million and net other income of €268 million are broadly in line with 2018.
- Operating expenses of €745 million are 4% lower than 2018 due to continued emphasis on cost reductions.

- Net impairment losses of €50 million are €207 million higher than 2018 which reflects the combination of updated impairment model parameters (including updated forward looking information and refreshed cure rates) and the impact of the disposal / securitisation of non-performing portfolios in the year.
- Loans and advances to customers (after impairment loss allowances) at 31 December 2019 of €33.8 billion were €0.9 billion lower than 2018. This decrease includes the derecognition of €0.6 billion following the securitisation and sale of a portfolio of non-performing Irish mortgages, offset by an acquisition of a €0.2 billion portfolio of commercial loans in 2019. The pace of redemptions exceeded that of lending growth in 2019 resulting in a net lending decrease of €0.3 billion.
- Customer deposits of €51.9 billion at 31 December 2019 were €4.2 billion higher than 2018 primarily due to increases in current account credit balances on the back of a strong economy.



Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 52 of BOIG plc Annual Report 2019.



Further information on measures referred to in our business segments is found in Alternative performance measures on page 331 of BOIG plc Annual Report 2019.

Divisional review

Wealth and Insurance

Wealth and Insurance is a long established, market leading, life and pension and general insurance provider in Ireland. The Group is the only bancassurer in the Irish market.



Transform the Bank

- Ongoing investment to digitise Wealth and Insurance platforms, delivering a modern and successful business which is accessible through multiple media.
- Continued roll out of Ireland's first life assurance digital advice platform.
- Development of the digital insurance wallet allowing customers to manage their general insurance needs in one place.
- First phase of broker online connectivity rolled out enabling digital connection with brokers for key products.

Serve customers brilliantly

- Improved customer offerings across a range of products including critical illness and savings options.
- Enhanced customer journeys with the digital advice platform allowing customers to receive regulated financial advice and providing customer self-service capabilities.
- The online broker connectivity solution allows brokers to pre-populate New Ireland online application forms for new and existing business using the brokers own client data.

Grow sustainable profits

- Underlying profit before tax was €169 million in 2019 (2018: €67 million). The increase year on year reflects strong overall business performance allied with the positive performance of investment markets in 2019.
- APE new business sales in the Life business was €345 million in 2019, an increase of €44 million, 14% up on 2018. All sales channels recorded year on year sales growth with bank channel sales 29% higher than 2018 driven by strong life investment sales and an increased customer penetration rate of 32%.
- APE new business sales consisted of €158 million of new single premium business and €187 million of new regular premium business with strong growth in particular across pension business.
- Operating profit of €134 million for the year-ended 31 December 2019 was €20 million or 18% higher than 2018.
- Operating income of €269 million in 2019 was €28 million higher than 2018 mainly reflecting strong overall business performance and the benefit of assumption changes.

- Operating expenses of €135 million in 2019 were €8 million higher than 2018.
- Unit-linked fund prices increased by 12.6% in aggregate during 2019, heavily driven by growth in global equity markets. The positive variance relative to assumed growth led to a positive investment return of €30 million (2018: adverse investment variance of €27 million).
- Interest rates at 31 December 2019 were lower than those at the end of 2018 while the spread on corporate bonds also narrowed. The overall impact of the change in yields resulted in a €5 million gain in 2019 (2018: €20 million loss).



Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 53 of BOIG plc Annual Report 2019.



Further information on measures referred to in our business segments is found in Alternative performance measures on page 331 of BOIG plc Annual Report 2019.

Divisional review

Retail UK

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



Transform the Bank

In transforming the Bank, Retail UK is focused on increasing returns by investing, improving and repositioning its efforts.

Investing in:

- Enhanced digital offering across product lines including improved payment functionality.
- Strategic IT capability to deliver enhanced customer propositions such as online mortgage product switching.
- Enhanced distribution of personal lending in NI.

Improving:

- The Post Office partnership contract has now been extended.
- Cost of funds effectively managed by optimising funding mix and management of deposit pricing.
- Focus on cost reduction, whilst investing in strategic initiatives, technology and regulatory compliance.

Repositioning:

- Sale of UK credit card portfolio completed and migration is underway.
- Optimising the ATM estate.
- Continued deleverage of legacy portfolios.

Serve customers brilliantly

- Progressing enhanced mortgage strategy and new bespoke products developed for the professional segment.
- Increased NI branch staff and opening hours to meet customer demand.
- Increased focus on complaint management and resolution with complaints per 1,000 reducing from 1.73 to 1.10 over the course of 2019.
- Also established a dedicated bereavement team.

Grow sustainable profits

- Underlying profit before tax of £152 million in 2019 (2018: £161 million) which excludes the performance of the consumer credit card and ATM portfolios which are treated as non-core activities in 2019.
- Net interest income of £494 million has decreased by £33 million. Excluding the impact of credit cards in 2018 (£25 million), which is classified as non-core in 2019, net interest income decreased by £8 million. This was primarily due to competitive pressures in the mortgage market, partially offset by growth in the asset finance and personal lending volumes.
- Operating expenses of £288 million are £64 million lower, primarily as a result of repositioning the credit card and

ATM portfolios as non-core in 2019 and the remainder is due to continued focus on cost management.

- Impairment losses of £71 million have increased by £5 million compared to 2018, primarily due to new lending growth in consumer lending.
- Loans and advances to customers (after impairment loss allowances) of £24.8 billion were £0.4 billion higher than 31 December 2018. This reflects an overall increase in net consumer lending of £1.3 billion, which includes Northridge, personal lending and mortgages offset by the disposal of the credit card portfolio (£0.6 billion) and net repayments in commercial lending (£0.3 billion).
- Customer deposits of £19.1 billion at 31 December 2019 were £0.7 billion lower than 31 December 2018.
- In June 2019, £350 million of term funding was raised through a successful securitisation of prime UK residential mortgage loans.

➔ Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 54 of BOIG plc Annual Report 2019.

➔ Further information on measures referred to in our business segments is found in Alternative performance measures on page 331 of BOIG plc Annual Report 2019.

Divisional review

Corporate and Treasury

Corporate and Treasury is Ireland's number one Corporate Bank and leading treasury service provider.



Transform the Bank

- Increased adoption of dedicated FX digital platform with number of customers using FXPay up 32% and number of transactions up 33% across all customer segments in 2019.
- Successfully concluded two Credit Risk Transfer (CRT) transactions reducing credit risk exposure through a risk sharing structure whereby the investors assume the credit risk for potential credit losses on certain loans.
- Supported the Group in reducing its NPE ratio below 5%, by concluding two transactions involving loans predominantly secured on buy to let (BTL) investment properties.

Serve customers brilliantly

- Retained its position as Ireland's #1 Corporate Bank.
- Maintained its position as a leading domestic lender to Irish real estate market and is supporting the Group's position as a National Champion in house building.
- Allocated €1.5 billion for development lending - commercial and residential. This includes €800 million that will deliver 7,100 new homes and 2,000 student accommodation units in Rol.
- Completed the first Irish Public Private Partnership for Social Housing which facilitated the building of 534 housing units in the Greater Dublin region.

- Continued to selectively expand our customer offering e.g. subscription finance in the UK, selective re-entry into the US property market and a new mezzanine finance offering.
- Acquisition Finance opened an office in Madrid to support its private equity relationships who transact in the Spanish market.
- Continued to support customers against the backdrop of uncertain market conditions which included extensive Brexit communications.
- Unsecured FX facility for customers impacted by Brexit and to support businesses trading internationally increased to €50 million (2018: €20 million).
- Continued investment in customer proposition and experience improvements, including simplifying account opening and documentation, as well as enhancing the ability for customers to 'self-serve'.
- Launch of Bank of Ireland's Financial Wellbeing programme for businesses with initiatives such as the Bank of Ireland Treasury Academy in partnership with Trinity Business School.
- Business net interest and other income of €758 million is €52 million higher than 2018, predominantly driven by increased lending activity.
- Financial instruments valuation adjustments are a charge of €27 million in 2019, a decrease of €34 million. The 2019 result is due to less favourable market moves on derivative valuations when compared to 2018.
- Net impairment losses on financial instruments of €82 million is €41 million higher than 2018 and reflects losses on a small number of large exposures.
- Loans and advances to customers at 31 December 2019 of €16.4 billion are €1.4 billion higher than 31 December 2018, of which net lending was €1 billion, with €0.2 billion of acquisitions and intra group transfers and €0.2 billion FX related.
- The euro liquid asset bond portfolio of €14 billion at 31 December 2019 has decreased by €0.6 billion compared to 31 December 2018.

Grow sustainable profits

- Underlying profit before tax of €455 million in 2019, a decrease of €31 million compared to 2018.

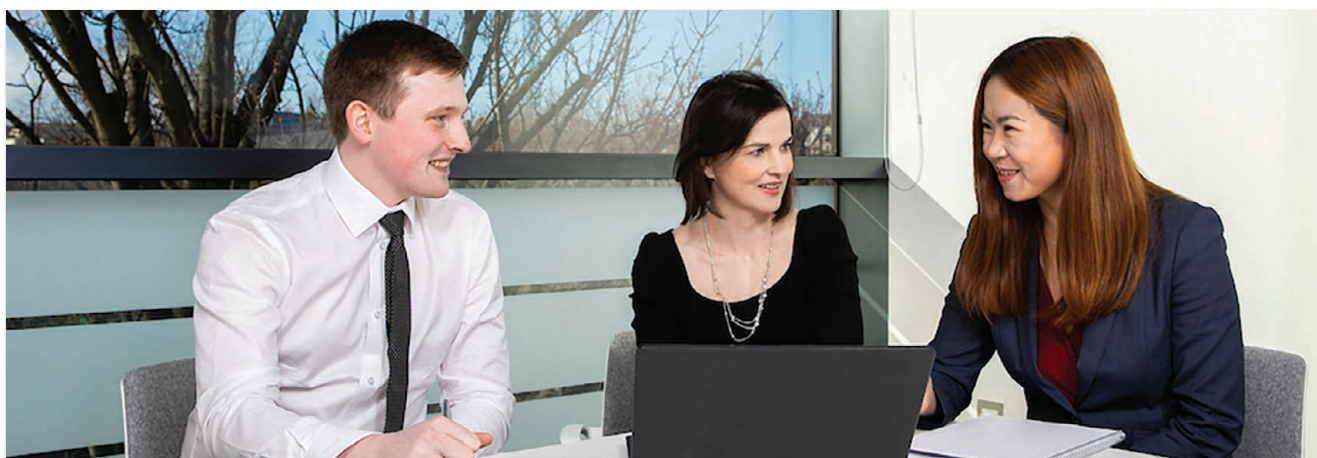
Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 55 of BOIG plc Annual Report 2019.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331 of BOIG plc Annual Report 2019.

Divisional review

Group Centre

Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, Group Marketing, People Services and Group Internal Audit (GIA). These central functions establish governance and oversee policies, and provide and manage processes and delivery platforms for the trading divisions.



Grow sustainable profits

- Group Centre's income and costs comprise income from capital and other management activities, unallocated Group support costs and the costs associated with the Irish Bank Levy along with contributions to the Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) and other industry levies.
- Negative operating income of €5 million in 2019, represents a decrease of €29 million from 2018. This variance was primarily due to a gain on disposal of National Asset Management Agency (NAMA) subordinated debt in 2018, which did not reoccur in 2019 and interest expense on leases arising from the adoption of International Financial Reporting Standards (IFRS) 16 in 2019.

- Operating expenses (before Transformation Investment and levies and regulatory charges) of €281 million in 2019 were €27 million higher than 2018. The increase is reflective of increased investment costs in strategic initiatives, including higher amortisation charges arising from technology and infrastructure, restructuring and further consolidation of business activities, along with costs associated with compliance and meeting regulatory expectations.
- Our transformation programme continues to make good progress and a further €263 million was invested in this programme during 2019, of which €100 million is capitalised on the balance sheet (31 December 2018: €100 million), with an income statement charge of €108 million

(2018: €113 million) and €55 million recognised through non-core items (2018: €93 million).

- Total Transformation Investment costs recognised through non-core items were €55 million for the Group, of which €54 million was recognised through Group Centre. €30 million reflects a reduction in employee numbers, €21 million relates to programme management costs and other costs were €3 million.
- Group Centre levies and regulatory charges were €111 million in 2019, €14 million higher than 2018.



Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 55 of BOIG plc Annual Report 2019.

Responsible and sustainable business

At Bank of Ireland, behaving in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive. We are committed to addressing the key challenges facing society today and became a signatory to the UN Principles for Responsible Banking in 2019. These principles help align the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement.



Signing the UN Principles for Responsible Banking is a key step in our Responsible and Sustainable Business (RSB) journey. This, along with becoming a supporter of the TCFD signifies our commitment to be part of the global drive to address climate risks and be a responsible business partner for our customers, communities and colleagues. Over the course of 2019, we have made considerable progress against our RSB agenda including launching our new customer strategy to enhance the Financial Wellbeing of people in Ireland, launching our new People Strategy for our colleagues, and refocusing our community activities into the newly launched Bank of Ireland Begin Together programme. We also became the first bank in Ireland to introduce a Green Mortgage through our €1 billion Sustainable Finance Fund and from 1 January 2020, 100% of our Irish electricity is now supplied from renewable sources.

During 2020, we will focus on integrating RSB throughout the Group in a way that supports our customers' low carbon journeys, builds our resilience as a pillar bank and contributes to the overall sustainability of the financial services sector and the markets in which we operate. We will proactively engage with our stakeholders, through our materiality and impact assessments, to understand their perspectives and our impacts (both positive and negative) on society, the environment and the economy. We will use this insight to further develop our approach in this area, including setting goals and targets.

Governance

We have enhanced our governance structure to provide more Board focused oversight and responsibility for our RSB agenda. The GN&GC, a committee of the

Business Working Responsibly Mark

Bank of Ireland was re-certified to the Business Working Responsibly Mark in November 2019. The Bank was first certified to the Mark, an independently audited standard for corporate social responsibility and sustainability, in 2016 for its RoI operations. The scope of the accreditation was extended across all Group operations in 2019.

Board with oversight for the Group's Corporate Responsibility Programme as well as nomination and corporate governance matters, now oversees the Group's RSB framework and strategy on behalf of the Board. The Committee, which has been renamed the Group Nomination, Governance and Responsible Business Committee (NGRB) to reflect its enhanced role, is chaired by our Chairman Patrick Kennedy. At Senior Executive level, the Group Executive Committee (GEC) has overarching responsibility for the Group's RSB strategy. Specific RSB responsibility has been delegated to the Chief Strategy Officer and our approach to RSB will be fully integrated into our overall strategy.

In support of this, we have created a Responsible and Sustainable Business Forum (RSBF), chaired by the Chief Strategy Officer. The RSBF, which consists of senior business and functional Executives from across the Group, enables us to have a coordinated approach to oversight, delivery and reporting of the Group's RSB strategy to GEC. The RSBF is supported by the Group's dedicated RSB team.

Responsible and sustainable business

Business ethics

Living our values enables us to provide the best possible service and holds us accountable, while delivering new solutions to benefit our customers, colleagues and communities. We are committed to conducting ourselves to the highest standards, managing our risks appropriately and sourcing in a responsible way.



How we conduct ourselves

Our Code of Conduct (the 'Code') outlines the high standards we set ourselves for what we say and do in our relationships with customers, colleagues and the communities in which we do business. All colleagues must adhere to the Code when dealing with others and in personal financial dealings.

The Code also includes details of what action colleagues can take if they have concerns about behaviours and practices that are in conflict with our culture and values. The Group is focused on ensuring an environment exists, which embraces constructive challenge and where colleagues are empowered to speak up without fear of any adverse impact. The Group Speak-Up policy sets out the standards and obligations in support of colleagues who are highlighting concerns of potential wrongdoing. All colleagues

complete annual mandatory training on both the Code and Speak Up policy.

Financial crime compliance

Protecting the financial system from financial crime risks including money laundering, terrorist financing, and bribery and corruption is of intrinsic importance to the Group. Colleagues complete annual mandatory training and assessment in relation to key areas.

Anti-Bribery and Corruption

The Group's Anti-Bribery and Corruption policy sets out the minimum standards regarding actions to be taken to identify and manage bribery and corruption risks, and roles and responsibilities are structured under a three lines of defence model.

Anti-Money Laundering, Countering the Financing of Terrorism, and Financial Sanctions

Our policies in these areas set out the standards needed to ensure the Group meets its legislative and regulatory requirements relating to these key risks.

Human trafficking

The monitoring and investigations team within our Financial Crime Compliance (FCC) unit have developed a suite of typologies aimed at identifying possible activity linked to human trafficking. FCC also provided enhanced training to our Anti-Money Laundering (AML) investigators on this subject, as well as to frontline teams.

FCC has also engaged with the anti-human trafficking non-governmental organisation (NGO) 'Stop the Traffik' to provide Board and senior management training on the scale and proximity of the issue.

In accordance with relevant UK legislation, we published our statement on Modern Slavery and Human Trafficking for 2018 and will publish our 2019 statement in due course. This applies to the Group and sets 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.

Sourcing responsibly

We recognise the opportunity to influence the integration of responsible business into our supply chain. In 2019, we published a Code of Supplier Responsibility that sets out what we expect from our suppliers. It sets out the key social, ethical and environmental standards that we want our suppliers to achieve and is supported by our procurement processes and ongoing due diligence. These assess supplier behaviours and capabilities across a range of sustainable business measures. Our sourcing processes prioritise minimising the lifecycle cost for the majority of purchases.

Responsible and sustainable business

Supporting the low-carbon economy

We are committed to supporting a successful transition to a low carbon, climate resilient economy. We will do this by enabling customers to take action, managing climate-related risks and reducing the Group's own environmental footprint.



Sustainable Finance Fund

To support our customers' transition to the low-carbon economy, we launched the Sustainable Finance Fund (the 'Fund') in July 2019 and in doing so became the first bank in Ireland to introduce a green mortgage interest rate. The €1 billion Fund supports our customers on their low carbon journey by encouraging and rewarding investment in energy-efficient homes, older properties, and SME and agri investment in energy efficiency.

Initiatives associated with the Fund include a green interest rate discount for borrowers buying or building energy efficient homes, and a green home improvement loan for energy-efficiency retrofits for older properties. We have also introduced

reduced interest rates for investment in energy-saving improvements for businesses.

This Fund supports the Government's Climate Action Plan and Ireland's commitment to the UN Sustainable Development Goals. To date there has been strong customer demand for our Sustainable Finance Fund products and propositions.

Funding Renewable Energy

The Group continues to be a leading financier of the renewable energy sector. To date we have provided finance for c.720MW of on-shore Irish wind farms providing the equivalent of 468,000 homes

with renewable generated electricity. We are also monitoring other forms of renewable technology, e.g. solar and off-shore wind, and await the introduction of a new government support scheme to enable lending into these sub sectors.

Climate Risk

We recognise that climate change presents both risks and opportunities to our business model and strategy. We see these emerging through two key channels: physical (e.g. increased severity / frequency of extreme weather events), and transitional (e.g. changes in how cars are powered and the retrofitting requirement for housing stock). We are integrating climate risk into our risk frameworks and



Reducing travel and enabling colleague wellbeing

Heather Kane is the Divisional Optimisation Lead for Retail UK. Based primarily in Belfast, her role requires regular interaction with colleagues in London, Bristol and Dublin. Traditionally this involved frequent travel, including visits to the London office. The roll-out of Agile Ways of Working (AWOW) along with a strong focus on reducing costs associated with travel has transformed the way Heather works.

'The enhancement of video conferencing technology in Belfast has facilitated much greater flexibility' says Heather. 'There has also been a change in mindset and culture. People now challenge both themselves and others about whether their travel is necessary. There is greater accountability on cost and a focus on colleague wellbeing.'

Heather now works one to two days at home in County Armagh and travels to the London office approximately once a month. *'You have to be much more organised'* Heather explains. *'I make sure to optimise office time and schedule as many meetings as possible that are better face-to-face'*. This has resulted in a 20-25% reduction in business travel as well as a 20-30% reduction in personal commuting which obviously brings about environmental benefits.

On a personal level Heather is now able to make a commitment to helping out fortnightly with a local community group for young people and has more opportunities to support her mother, recently diagnosed with dementia, to be as independent as possible at home.

policies, not as a separate risk category, but as a transverse risk that impacts through existing risk channels such as credit and operational risk. As such it is being integrated to leverage existing risk management governance frameworks, policies and processes.

In line with the recommendations of the TCFD, during 2020 the Group will identify activities and assets exposed to climate-related risks and measure possible financial risk impacts. As part of a UN sponsored initiative, we are also contributing to the development of a methodology, which will enable financial institutions to better understand the climate change risks of their activities. This impact assessment and associated materiality exercise together with forward-looking scenario analysis will inform our business planning and associated risk management strategies. The Group also plans to:

- assess its exposure to carbon-intensive assets or assets susceptible to physical risks;
- continue to strengthen its operational resilience and that of material suppliers, and reduce its own climate change impacts; and
- update our risk management frameworks and policies to incorporate processes for the identification, assessment and mitigation of climate risks.

An initial set of metrics for climate-related risks are in development to support the setting of relevant targets and limits to track progress against our strategy and to allow for related disclosure.

Our own environmental impact

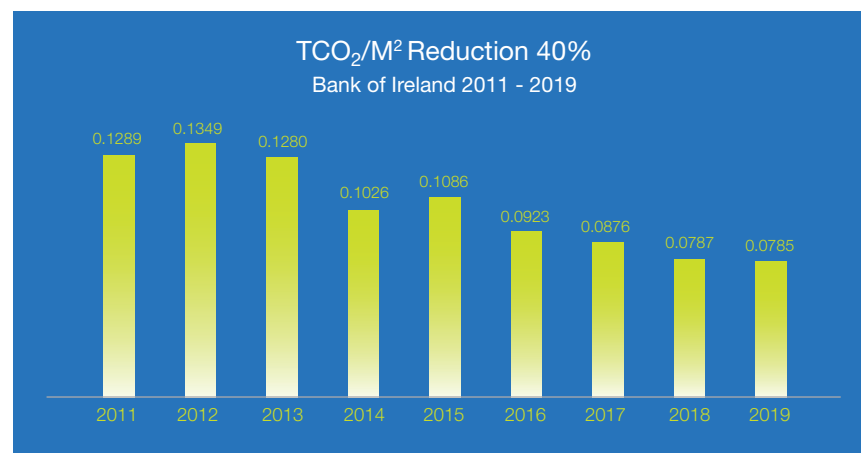
In May 2018, we signed up to the Low Carbon Pledge to reduce our carbon emissions intensity (scope 1 and 2) by 50% by 2030. This pledge is part of The Leaders' Group on Sustainability, a business coalition, convened by Business in the Community Ireland (BITCI).

To date we have achieved a 40% reduction in carbon emissions intensity (on a 2011 baseline), using m² as intensity metric (in absolute terms we have achieved a 50% carbon emissions reduction).

In support of our commitment to reduce carbon emissions and the impact that we have on the environment, we have continued to implement energy efficient and other environmental initiatives throughout 2019, which include:

- re-certification and transition to the ISO 14001 and ISO 50001 2018 standard;
- installation of a highly-efficient air conditioning system in a number of our large administration buildings;
- power down of redundant IT equipment in our data centres;
- upgrade of traditional lighting with LED lighting across a number of retail and administration sites;
- installation of 16 electric vehicle charging points at six of our administration sites; and
- introduction of Keep Cups towards the end of 2018, which has resulted in a 59% reduction in disposable cups.

To further support the transition to a low-carbon economy, 100% of our RoI and NI electricity is supplied from renewable sources as of 1 January 2020.



Responsible and sustainable business

Enabling customers to thrive

Supporting customers' Financial Wellbeing is just one of the many important ways we show our responsibility to our customers. We go further by making sure we are inclusive of our most vulnerable customers too.



Financial Wellbeing

A key part of the Group's long-term ambition is to improve the Financial Wellbeing of consumers in Ireland. In March 2019, we launched a Financial Wellbeing strategy with an initial €5 million investment, to help consumers improve their financial literacy, capability and confidence. The approach is grounded in nationally representative research which sheds light on consumer levels of Financial Wellbeing and shows that one-third of people in Ireland are worried about personal finances, more than half have no pension, and one quarter would need to borrow in less than a month if they lost their main source of income. To support this, a Financial Wellbeing Team was established including Financial Wellbeing coaches.

National Financial Wellbeing Index

We have developed a Financial Wellbeing Index which indicates that Ireland has a national average Financial Wellbeing score

of 61, which as a nation places us in the 'Managing' category. It also showed that 40% of those surveyed were in the 'Struggling' or 'Stretched' categories. We will conduct this research on an ongoing basis to track the Financial Wellbeing of the nation.

Online Financial Wellbeing Centre

The Online Financial Wellbeing Centre provides access to a range of tools, information and support to help consumers begin their Financial Wellbeing journey. These include a Financial Wellbeing Healthcheck for consumers and businesses to assess their own financial wellbeing. By the end of 2019, over 50,000 healthchecks had been completed.

Financial Wellbeing Lab

In April 2019, the Financial Wellbeing Lab was opened in Bank of Ireland premises and was used extensively to design and test new propositions with customers, colleagues and other stakeholders.

Youth Financial Wellbeing

Our Youth Financial Wellbeing Programme is available to primary and secondary schools for delivery in the classroom and at home so that parents can introduce the concept of financial literacy to their children. We believe that Youth financial literacy is a life skill that benefits children helping them make informed decisions about money and take charge of their own future. In 2019, over 100,000 children participated in the programme.

Primary school programme

Our new primary school initiative is available to children from the age of seven in over 3,000 schools nationally. The initiative includes a range of resources for children, parents and teachers, and is fronted by 'Ollie the Owl', a character who brings together stories, learning activities and interactive games to teach children the basics of money management. We aim to have over 100,000 children participate in the programme during the 2019/20 school year. By year end, c.42,000 children from 400 schools had registered to participate. Our partnership with BizWorld also continued, promoting entrepreneurship skills for young people.

Secondary school programme

The Money Smarts Challenge, our new secondary school competition, sees students learn essential Financial Wellbeing skills while competing for a top prize of €25,000 for their school. Designed in conjunction with business studies teachers and Financial Wellbeing experts, students learn about the core elements of financial wellbeing such as spending, saving, earning, credit and debt. To date 3,200 students representing 300 schools have registered for the competition. Financial literacy week is also an important part of our overall Money Smarts Programme. In 2019, our Youth Coordinators delivered these in 342 Schools across Ireland, helping students to develop key financial life skills.

Financial Wellbeing for Business

In May 2019, we launched a Financial Wellbeing offering for SMEs in conjunction with a series of events across the country exploring the theme of 'Growing your Business'. This offering included a new online Financial Wellbeing Centre for SMEs, a business-specific financial health check and a library of content relevant to

business Financial Wellbeing. We also launched a new Treasury Academy for business customers in conjunction with Trinity Business School. This covers a range of topics including FX, interest-rate hedging, debt financing and managing treasury risk.

Supporting our customers through Brexit

When it comes to Brexit our main focus is on how we can assist customers navigate the uncertainty and plan for the future. We launched a Brexit Portal, which includes a Brexit Checklist, Currency Risk Guide and an Import / Export Guide to help businesses prepare. We put supports in place to assist customers with specific requirements, from protecting their business from risk to investing for growth and expansion. This includes a €2 billion Brexit Fund designed to support businesses on the island of Ireland to flex and adapt to Brexit change, and a €50 million FX facility designed to support customers in managing their foreign currency exchange risk. During 2019, we ran a series of 'Get to Grips with Brexit' events. Over 1,400 business customers attended in eleven different locations, with over 20 speakers including local and national representatives as well as local customers who shared their own experiences.

Information Security

The Group takes information security very seriously and continues to invest in the skills, technology and processes required to protect information. The Group Information Security function, led by the Chief Information Security Officer, constantly monitors cyber security threats; implementing protective measures while researching future threats and how to defend against them.

All colleagues play a vital role in managing information security risk and keeping information safe and are required to complete mandatory web-based training. Role based training has also been introduced, and monthly bulletins and dedicated internal webpages are provided for further guidance. All colleagues are regularly tested on their ability to identify and report suspected phishing incidents.

The Group operates a 'three lines of defence' model aligned to the Group's operational risk management framework. First line business unit risk owners are responsible for identifying, risk assessing and reporting cyber risks and managing

the risks via operational controls (First Line of Defence).

Operational controls are aligned with Group Information Security Policies produced by the Group Operational Risk function (Second Line of Defence) as well as standards, technical specifications and guidance produced by the Group Information Security function. Information Security Policies and controls are audited by GIA (Third Line of Defence). The Group collaborates with industry

bodies and intelligence-sharing working groups to combat the growing threat from cyber criminals, including the UK Cyber Defence Alliance and the Banking Payments Federation Ireland. Cyber risk and control was reviewed by the Board Risk Committee (BRC) on a number of occasions in 2019. Information Security guidance for customers is available on the 'Security Zone' page on our website (boi.com/security), including fraud alerts and information on how to report suspicious online activity, emails or phone calls.

Vulnerable Customers

In 2019, the Group established a new VCU in Ireland to provide enhanced support to customers in vulnerable circumstances. The VCU provides expert support and guidance to frontline customer service colleagues so that they can support customers facing vulnerable circumstances or situations. It aims to better assist customers improve their financial wellbeing irrespective of the circumstances facing them. Based in Carlow, the VCU is staffed by specialists with extensive experience in retail and community banking, fraud and financial crime. The team has completed bespoke training with advocacy and support organisations in the areas of autism, sight loss, intellectual disability, addiction and vulnerable adults. The VCU also exists as a support line for advocacy and support groups to flag and escalate issues which they encounter. There have been over 4,000 vulnerable customer interactions since the VCU was established. Outcomes for customers are varied but can include the issuing of carers support cards, providing information in other languages or intervening to prevent financial abuse.



A listening ear

Noel Kenny is a member of our VCU team. He brings a wide range of experience to the role and his move to the team was a natural one, as his experience is founded in roles within branch and business banking, as well as supporting people in mortgage arrears. As a parent of a child with special needs, Noel brings a particular empathy to customers who need a compassionate approach.

'What's unique about the unit is that it was built from the ground up' Noel explains. 'The people (Anne, Dan & Karen) who along with me, make up the frontline team, all have many years of both bank and life experience and this really helps when to speaking to people. For difficult cases we come together and try to work out the best solution for the customer'.

Noel and the team provide support to colleagues who deal with customers that may be vulnerable. *'Age-related dementia and special needs are two typical examples of the types of vulnerability we come across. We provide colleagues with advice, detailed guidance and relevant forms they might need' says Noel. 'Language is so important when dealing with sensitive situations. We have no right to define anybody. If we try to prescribe something, that probably won't work but if we give people options and work with them in a sensitive manner, we can usually find a workable solution'.*

Responsible and sustainable business

Enabling colleagues to thrive

We are committed to enabling our colleagues to thrive and our new People Strategy empowers this. We strive to ensure that all our colleagues are engaged and have the skills and capabilities to serve customers brilliantly. We are also working hard to adopt a more flexible and inclusive workplace to help colleagues perform to their full potential.

Recognition Awards taking place in March. Over 300 colleagues attended the event with awards presented to teams and individuals who role model living the Group Values and Purpose.

The stories of the winners were shared throughout the year. Ongoing recognition continued through the introduction of e-thank you cards, with over 3,000 being sent since June 2019. The Recognition Awards process is being repeated with the annual winners to be celebrated in Q2 2020.



In October 2019, we launched a refreshed colleague wellbeing programme focusing on mental, financial and physical wellbeing. The offering includes a new Employee Assistance Programme, a mental health strategy (including mental health pledges) and enhanced financial and physical wellbeing supports. In 2020, the focus will be on developing wellbeing supports, including; the launch of a colleague wellbeing app / portal, rollout of a mental health first aiders programme, and mental health training for people managers.

Ways of Working

Enabling Agile Ways of Working (AWOW), enhancing our policies and developing supporting technology are the key aspects of our Ways of Working pillar. Significant progress has been made on the rollout of this throughout 2019:

- AWOW was rolled out across the Group, following a successful comprehensive pilot in 2018.
- AWOW can involve working from an alternative Group location, from home or other locations, agreeing flexible working hours, and / or agreeing alternative working patterns.
- Remote hubs were piloted to provide colleagues further choice in terms of work locations in 2020.
- Over 3,500 colleagues now work in agile Group workspaces enabling more openness and better collaboration.
- Technology has been, and continues to be, enhanced to better enable remote access and connection.
- Agile training has been delivered to 270 leaders.

In April 2019, we launched our new People Strategy with six pillars which are aligned to our purpose, values and strategic priorities. Our activities and progress under each of these pillars is set out below.

Culture & Engagement

The multiyear transformation of our culture continued throughout 2019. The focus was on enhancing engagement and encouraging a strong colleague voice.

Building on the work in 2018 to establish our purpose and values, we continued to embed our values throughout 2019. This included leadership events attended by over 1,600 senior leaders, and 66 'Values in Action' workshops for 1,800 managers

across RoI, NI & UK. Measurement of colleague engagement continued through our Open View surveys. 76% of colleagues participated with results demonstrating solid progress:

- engagement levels have increased. Colleague Engagement Index is 60% (+10% since 2017, +5% since Q1 2018) and 4% from the Global Financial Services (GFS) benchmark; and
- the Culture Programme continues to make an impact with the Culture Embedding Index at 66% (+11% from the first measurement in 2018).

Enhancing colleague recognition formed a key part of our culture and engagement approach for 2019, with Group

Organisation Capability

By focusing on organisation capability, the Group is committed to organisation design that is fit for purpose across all levels and building a talent pipeline. Throughout 2019 a number of key initiatives progressed:

- we launched RISE, an early career talent programme for women, further progressing the building of gender balanced talent across the Group. This aligns to our gender diversity target;
- the Accelerate Programme focusing on the development of female talent identified as potential successors for GEC, is now in its second year; and
- our Coaching Community of Practice members are now using their capabilities to support the development of colleagues. The initial focus has been on supporting colleagues participating in the RISE programme.

People Development

We want to ensure there are learning opportunities for all, enable fulfilling careers and build People Manager and Leader capability. In 2019, over €11 million was invested in the development of our people, with over 185,000 hours of formal training provided at an average of 17 hours per colleague. A number of new programmes were introduced in 2019, and will continue into 2020:

- You as a Manager Programme was launched to more than 2,000 People Managers. This nine month programme has been designed to support the capabilities and behaviours identified as being central to delivering on the Group's business transformation;
- You as a Leader Programme is being developed in partnership with an international business school. The programme will focus on delivery of the Group's strategy and transformation by developing leaders in strategic capability and selected competency areas;
- we launched a new Learning Service, developed to support our colleagues in building the skills and expertise to play a key role in our transformation journey;

Inclusion & Diversity

Our focus in this area is to increase our diversity and foster greater inclusivity. Our key goal remains a 50:50 gender balance target for management and leadership appointments by end of 2021. Appointments include new entrants and promotions. In 2019, females represented 44% of Management and Leadership appointments. Throughout 2019, we enhanced our commitment to Inclusion & Diversity (I&D) through a number of initiatives including:

- amending our recruitment policy by removing the minimum education requirement as a standard application requirement to ensure we become a more inclusive employer opening up opportunities to talented people from all backgrounds;
- introducing a hiring manager checklist to ensure managers consciously consider diversity at every step of the hiring process;
- unconscious bias training is included in the 'You as a Manager' programme - demonstrating a significant commitment to I&D, and embedding awareness in people managers across the Group;
- maternity pay and adoption leave provision was enhanced to 26 weeks' full pay, effective from 1 January 2020;
- a partnership agreed with Family Carers Ireland and Carers UK to help support a growing number of colleagues with caring responsibilities. These organisations provide a range of support services including information on rights and entitlements, guidance in relation to interactions with hospitals, training on patient care and home support services; and
- launching the Gold Sovereign Awards to acknowledge the inspiring work of advocates for I&D in the area of gender balance and equality.

In 2019 Bank of Ireland won a number of awards including:

- Business and Finance Diversity and Inclusion Award; and
- Women in Finance Diversity Ambassador of the Year award.

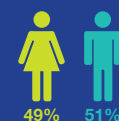
- we introduced a Groupwide mentoring programme and a communication campaign that introduces a network of career connectors across the Group; and
- in 2020, we will launch our Aspiring Managers programme to support those who want to progress into people management positions to be ready for the additional responsibilities that brings.

Rewards & Pensions

The Group aims to ensure that its reward and pension framework is sustainable and fit for purpose. In 2019, we initiated a review of our current benefit offering, to assess whether it reflects the needs of colleagues. In response to colleague feedback we will explore opportunities to improve flexibility and choice.

Gender Ratio (total population)

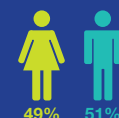
Overall Group



Management & Leadership Level (Band 4 to 7)



Middle level (Band 3)



Junior Level (Band 1 to 2)



Responsible and sustainable business

Enabling communities to thrive

As a bank that is at the heart of communities in Ireland, we want to make a tangible and visible commitment that brings our purpose to life. This means supporting the people, businesses and organisations that are working hard to make things better for everyone in their communities.



- The Begin Together Awards will recognise and honour the great work done by those striving to lead their communities forward and empower local economies. This will bring the existing National Enterprise Town Awards under the Begin Together umbrella and will expand to the island of Ireland. The annual competition will be run in partnership with local authorities and councils.
- Begin Together Colleagues will enable our colleagues across the Group to deliver practical, hands-on support through a fund to support local financial, physical and mental wellbeing initiatives suggested by them. It will also support and encourage volunteering activities, while the long-established payroll giving schemes (Staff Third World Fund and Florin Fund) will continue.

Our new community strategy

In 2019, we undertook a comprehensive review of our community activities to understand what was working well, where we were having an impact, and how we could increase and deepen this impact. We consulted with stakeholders internally and externally, engaged with charities and community groups and conducted research.

This review told us that Bank of Ireland has a strong heritage of giving and supporting community investment. Over the years, our colleagues have shown their support for a wide range of causes and this is a source of great pride. However, while we invest significantly in our communities, the impact is often fragmented across a wide

range of different causes. We want to be more purposeful in our approach, supporting communities where we believe we can have the greatest impact.

In 2020, we are rolling out a new approach to community investment, Bank of Ireland Begin Together - a €3 million investment programme over three years that supports community wellbeing and enterprise. Begin Together comprises three distinct, yet complementary elements:

- The Begin Together Fund will provide valuable investment for community initiatives across Ireland. It will support financial, physical and mental wellbeing projects and will be supported by our volunteers and guided by our expert partners.

Our impact in 2019

In 2019, our community investment programme saw us provide matched funding to our colleagues for causes close to their heart, provide one volunteer day per colleague and partner with three flagship charities. In total over €2.6 million was donated to charities through colleague fundraising and bank donations and 750 days were volunteered. We also offered training courses to community groups and charities in partnership with BITCI and made our facilities available for charity meetings and events.

National Enterprise Town Awards

The Bank of Ireland National Enterprise Town Awards recognise and reward towns and urban villages, where businesses and the community have come together, to showcase a thriving local economy. 2019 was the fourth year of the awards and saw 117 entries from 80 towns and urban villages from almost every county in the RoI. There was particularly strong growth in city entries in 2019 with nine entries across four cities. The awards once again provided the opportunity for business and community leaders to come together and realise the inherent qualities of their town. In total €193,000 of prize money was awarded to 42 towns for investment in the further development of enterprise activity in their towns. The overall 2019 winner was Kilkenny.

Kilkenny - Ireland's most enterprising town

The story of partnership and innovation were the key themes to emerge from Kilkenny's winning entry. Modern and vibrant, yet with extensive heritage assets, Kilkenny has a wide range of enterprises with community at its heart. New enterprises, particularly the internationally award-winning animation businesses, have become embedded. The city clearly recognises its extensive heritage assets and has very high quality accommodation for visitors. The 'medieval mile' concept which links the heritage attractions in such a way that visitors are attracted to move from one attraction to another, is bringing benefits to the entire town. In addition to enterprise, initiatives to deal with homelessness and social exclusion, and the participation of many members of international communities based in the city were commended.



Flagship charities

With the advent of our new community strategy, 2019 saw the successful conclusion of our partnerships with our three flagship charities - Age Action and the Irish Heart Foundation in the RoI and Alzheimer's Society in the UK. The various partnerships saw tangible outcomes for the work of these charities in our communities with:

- over 300,000 young people trained by Irish Heart Foundation to provide life-saving CPR training in 430 secondary schools across Ireland;
- €200,000 raised and over 700 colleagues volunteered to support older people to remain active in their communities and stay connected; and
- £310,734 raised for Alzheimer's Society in the UK - the equivalent of c.1500 'side by side' days - a service for people living with dementia.

Supporting the Arts

Bank of Ireland continued to support the arts through the Bank of Ireland Cultural and Heritage Centre in College Green - a partnership with the National Library of Ireland and the Department of Culture, Heritage and the Gaeltacht. The current exhibition Listen Now Again celebrating the life and works of Seamus Heaney is free to the public and welcomed its 150,000th visitor in November 2019.

Showcasing our commitment to the Arts

Our Colleague Recognition Awards allowed us to showcase our commitment to the Arts. Through Business to Arts, we collaborated with Alva Gallagher, an established artist who has won numerous awards for her work. Alva was inspired by the Group's purpose when she designed the unique trophies, which were presented to winners on the night.

When Alva designed the Bank of Ireland Recognition Awards Trophy, her objective was to inspire and support our colleagues to reach beyond their goals and their aspirations.



Responsible and sustainable business

Non-financial information statement

We 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.

<p>Environmental matters</p> <p>Policies</p> <ul style="list-style-type: none"> Group Environment policy (ISO 14001)¹ Group Energy policy (ISO 50001)¹ <p>Risks & Management</p> <ul style="list-style-type: none"> Environment and Energy (page 26) 	<p>Bribery and corruption</p> <p>Policies</p> <ul style="list-style-type: none"> Group Code of Conduct¹ Speak Up policy Group Anti-Money Laundering policy Group Anti-bribery and Corruption policy <p>Risks & Management</p> <ul style="list-style-type: none"> Code of conduct (page 25) Anti-bribery and corruption (page 25) Group Anti-Money Laundering (page 25) Conduct risk (page 150 of BOIG plc Annual Report 2019) 	<p>Social and employee matters</p> <p>Policies</p> <ul style="list-style-type: none"> Inclusion and Diversity policy Group Code of Conduct¹ Equal opportunities policy Group Health and Safety policy Employee Data Privacy Group Vulnerable Customers policy Group Learning policy <p>Risks & Management</p> <ul style="list-style-type: none"> Vulnerable customers (page 29) Inclusion and diversity (page 31) Learning (page 31) Wellbeing (page 30) Communities (page 32) People risk (page 112 of BOIG plc Annual Report 2019)
<p>Non-financial key performance indicators</p> <p>Policies</p> <ul style="list-style-type: none"> Key highlights (page 3) 	<p>Policies followed, due diligence and outcome</p> <p>Risks & Management</p> <ul style="list-style-type: none"> Risk management framework 	<p>Respect for human rights</p> <p>Policies</p> <ul style="list-style-type: none"> Modern slavery and human trafficking statement¹ Group procurement policy Group data protection and privacy policy <p>Risks & Management</p> <ul style="list-style-type: none"> Information security (page 29) Operational risk (page 39) Human trafficking (page 25)
<p>Business model</p> <p>Risks & Management</p> <ul style="list-style-type: none"> Divisional Review 	<p>Description of principal risks and impact of business activity</p> <p>Risks & Management</p> <ul style="list-style-type: none"> Key risk types (page 39) Principal risks and uncertainties (page 111 of BOIG plc Annual Report 2019) 	
<p>Diversity report</p> <p>Policies</p> <ul style="list-style-type: none"> Board Diversity policy¹ <p>Risks & Management</p> <ul style="list-style-type: none"> Corporate Governance statement (page 59 of BOIG plc Annual Report 2019) 		

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

Our governance structure

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate governance structure in place. The Board provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. The Board has mechanisms in place to seek and understand the views of stakeholders and recognises the importance of considering stakeholder perspectives when taking decisions.



Patrick Kennedy
Chairman



Francesca McDonagh
Group Chief Executive Officer



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



Myles O'Grady
Group Chief Financial Officer and Executive Director



Michele Greene
Non-Executive Director



Patrick Mulvihill
Non-Executive Director



Fiona Muldoon
Non-Executive Director



Eileen Fitzpatrick
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, Executive and key subsidiary board appointments, renewals and succession planning. It is also responsible for corporate governance policies and practice. Its remit has widened in 2020 to include RSB.

Group Remuneration Committee

Steve Pateman (since January 2020)
Chair

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

Group Audit Committee

Patrick Mulvihill
Chair

Responsible for monitoring the integrity of the financial reporting arrangements and overseeing all relevant matters pertaining to the external auditor and the effectiveness of the internal audit function.

Board Risk Committee

Richard Goulding
Chair

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

The Group's corporate governance standards are implemented by way of a comprehensive and coherent suite of frameworks, policies, procedures and standards covering corporate governance as well as business and financial reporting, and risk management activities. These are supported by a strong tone from the top on expected culture and behaviours. Such standards are overseen by the GN&GC, which reports regularly to the Board. Page 59 details the varied corporate governance

requirements that apply to the Group. An outline of some of the ways in which the Group approaches stakeholder engagement can be found on page 72. One of the main requirements applicable to Bank of Ireland Group plc ('BOIG plc'), as a listed company, is the UK Corporate Governance Code 2018 (the 'UK Code').

The Board welcomed the introduction of the new UK Code in 2018, which it believes brings a sharper focus to key

issues including the importance of a having a clear purpose, culture and the value of stakeholder engagement. Under the UK Listing Rules and the Irish Corporate Governance Annex to the Euronext Dublin Stock Exchange Rules, companies are required to apply the main principles of the UK Code and report to shareholders on how they have done so. The table below outlines where you can find our disclosures on how the Group has applied the main principles of the UK Code.

Board Leadership and Company Purpose

UK Code Principles	Section (of BOIG plc Annual Report 2019)
A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	<ul style="list-style-type: none"> Board composition and succession (page 66) Strategic Report (page 3)
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	<ul style="list-style-type: none"> Chairman's introduction (page 59) Strategic Report – Chairman's overview (page 4) Our governance structure (page 35) Assessing the effectiveness of the Board (page 69)
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	<ul style="list-style-type: none"> Board's oversight of risk management and internal control systems (page 74) Report of the Group Audit Committee (page 82) Report of the Board Risk Committee (page 87)
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	<ul style="list-style-type: none"> Stakeholder engagement (page 72) Strategic Report (enabling customers, colleagues and communities to thrive) (page 10)
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	<ul style="list-style-type: none"> Stakeholder engagement – colleagues (page 73) Strategic Report (business ethics, enabling customers, colleagues to thrive) (page 10) Report of the Group Nomination and Governance Committee (page 77)

Division of Responsibilities

UK Code Principles	Section (of BOIG plc Annual Report 2019)
The Chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all Non-Executive Directors (NEDs), and ensures that directors receive accurate, timely and clear information.	<ul style="list-style-type: none"> Roles and responsibilities (page 70) Chairman's tenure (page 66) Board committees (pages 65 and 66) Chairman (page 61) Individual Directors (page 69)
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	<ul style="list-style-type: none"> Board composition and succession (page 66) Roles and responsibilities (page 70)
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	<ul style="list-style-type: none"> Assessing the effectiveness of the Board (page 69) Roles and responsibilities (page 70) Time commitment (page 75)

Division of Responsibilities *(continued)*

UK Code Principles

The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Section (of BOIG plc Annual Report 2019)

- Roles and Responsibilities (pages 70 and 71)
- Role of the Board (page 69)
- Report of the Group Nomination and Governance Committee (page 77)

Composition, Succession and Evaluation

UK Code Principles

Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Section (of BOIG plc Annual Report 2019)

- 2019 Board changes (page 67)
- External support (page 67)
- Diversity (page 68)
- Board composition and succession (page 66)
- Report of the Group Nomination and Governance Committee (page 77)

The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

- Your Board (Directors' Bios) (page 61)
- Chairman's introduction (page 59)
- Chairman's tenure (page 66)
- Board composition and succession (page 66)
- Report of the Group Nomination and Governance Committee (page 77)
- Diversity (page 68)

Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

- Assessing the effectiveness of the Board (page 69)

Audit, Risk & Internal Control

UK Code Principles

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Section (of BOIG plc Annual Report 2019)

- Board oversight of risk management and internal control systems (page 74)
- Report of the Group Audit Committee (page 82)

The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

- Chairman's review, Strategic Report (page 4)
- Role of the Board (page 70)
- Board oversight of risk management and internal control systems (page 74)

The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

- Board oversight of risk management and internal control systems (page 74)
- Report of the Board Risk Committee (page 87)

Remuneration

UK Code Principles

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

Section

- Report of the Group Remuneration Committee (page 80)
- Remuneration Report (page 98)

A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.

- Report of the Group Remuneration Committee (page 80)
- Remuneration Report (page 98)

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

- Report of the Group Remuneration Committee (page 80)
- Remuneration Report (page 98)

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 be accepted at transaction, portfolio and Group level if:

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

Group risk management framework - key components

The Risk Management Framework is aimed at all key decision makers who are involved in risk taking, capital management, finance

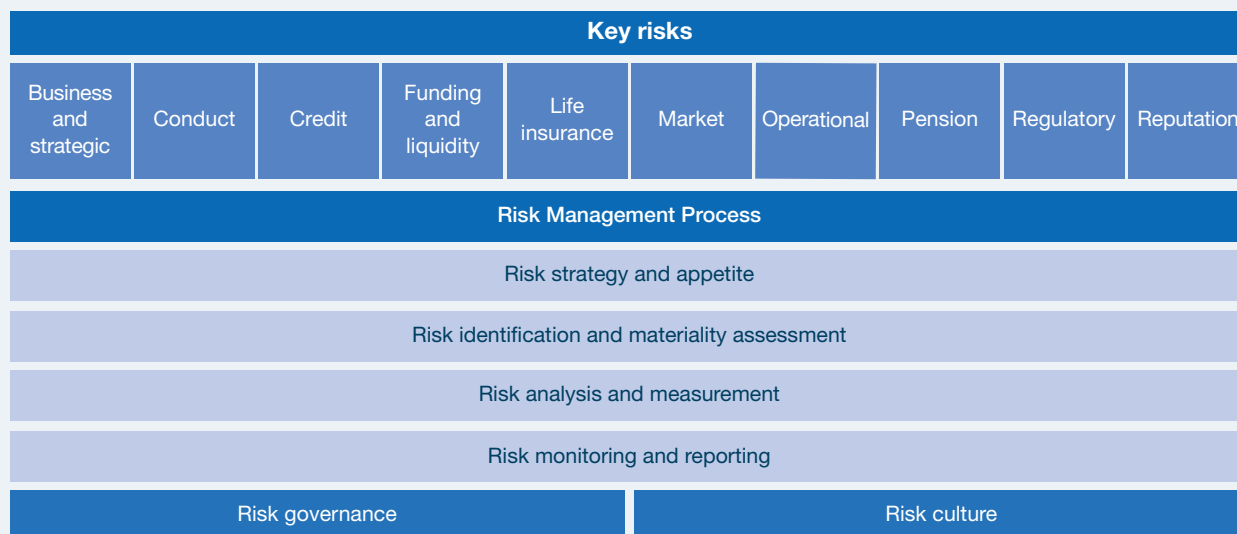
or strategy, including business units and Group functions. It ensures that risks are managed and reported in a consistent manner throughout the Group. It outlines our formal governance process for risk, our framework for setting risk appetite and our approach to risk identification, assessment, measurement, management and reporting and is underpinned by strong risk governance and a robust risk culture. The Board of Directors is responsible for ensuring that an appropriate system of internal control is maintained. This is achieved through a risk governance structure designed to facilitate the reporting and escalation of risk concerns from business units and risk functions upwards to the Board and its appointed committees and sub-committees, and conveying approved risk management policies and decisions to business units. Individual responsibility is a key tenet of risk management in the Group and we are all accountable for our actions.

Principal risks and uncertainties

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



Further information in relation to these risks is found in the Risk management report, on pages 111 to 120 of BOIG plc Annual Report 2019.



Key risk types

Business and strategic risk

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

Conduct risk

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

Credit risk

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

institutions, sovereigns, and state institutions.

Funding and liquidity risk

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

Life insurance risk

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

Market risk

The risk of loss in the value of our assets and liabilities due to adverse movements in interest rates, FX rates or other market prices.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which can lead to disruption of services to customers,

financial loss, and damage to our reputation. Included are risks associated with business continuity, data quality, fraud, information security, cybercrime, IT, payments, sourcing and unauthorised trading.

Pension risk

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

Regulatory risk

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

Reputation risk

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

Capital adequacy

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

➔ Further information in relation to our risk management process is found in the Risk management report, on pages 111 to 160 of BOIG plc Annual Report 2019.

