

Ulster Bank reports Full Year 2016 Operating Profit of €24m/ Adjusted Profit of €280m

New Lending increased 31% in 2016

The Royal Bank of Scotland today announces its Full Year 2016 Results, which include those for Ulster Bank in the Republic of Ireland.

Performance Highlights:

- Operating Profit €24m
- Adjusted Profit: €280m
- Net interest margin +5bps to 1.62%
- Mortgage drawdowns up 48% to over €1bn
- Share of new mortgage lending up from 14.5% to 18.5%
- App Users +22%
- Conduct and litigation €211m

Commenting on the full year results, Ulster Bank Chief Executive Gerry Mallon said:

“2016 was a year of solid progress for Ulster Bank, enhancing our competitive positioning and building a simpler, safer, more sustainable Bank. For 2016, we report an operating profit of €24m/ adjusted profit of €280m, which is the third year of profit for the Bank in the Republic of Ireland. Income from our core business divisions has increased, our underlying expenses have reduced and we have significantly reduced our problem loans and risk weighted assets.

“As a major provider of competition in the market, we are pleased to report a 31% increase in new lending, a 48% increase in mortgage drawdowns and a 19% increase in business lending in the period. This is driven by competitive new rates, increased customer uptake of our enhanced digital offering and our continuing focus on customer service. Net interest margin in the period increased by 5bps to 1.62%. A sustainable return on capital is crucial to our strategy and accordingly, our focus is to continuously review costs and allocate resources to areas that best serve customers’ evolving needs.”

Customer satisfaction, behaviours and service-led Improvements

“Ulster Bank’s new service-led improvements to customer experience such as mobile mortgage managers, as well as the introduction of a number of new competitive rates, have seen Ulster Bank increase mortgage market share of new lending in 2016 to 18.5%, with a 48% increase in mortgage drawdowns to over €1bn. Our proactive customer engagement programme, business roadshow series and continued investment in our agricultural advisory team has resulted in a 19% increase in lending to business customers in 2016. 2017 has started strongly with a good lending pipeline, including the expansion of our partnership with the Strategic Banking Corporation of Ireland to provide working capital finance to agri-business.

“Our customers’ behaviour continues to change and Ulster Bank, as well as the industry, is adapting and responding to this. In 2016, we saw a 22% increase in active users of our app, our ‘Get Cash’ facility was used over 2,000 times a week and, further leveraging RBS, we also piloted new secure Tokbox technology to allow our customers to discuss their mortgage needs from any location.

“Customers can also now apply for products directly from the Ulster Bank app and we have had good response to new add-ons such as the ability to amend standing orders or to create a pdf of your app payment to send to the recipient. We will continue to deliver improvements to our mobile app to help save customers time and make their lives easier. Innovation continues to be an area of focus as we explore the opportunities offered by open banking and we believe this can lead to improvements for our customers. We held our third banking hackathon last weekend in Dublin with RBS and our partners Dogpatch Labs, where some innovative open banking solutions were showcased.

“On the back of these improvements, our overall customer satisfaction scores as well as our app recommendation scores continue to improve, reflecting our customer focus toward our ambition to be the number one bank for customer service, trust and advocacy in key segments, and providing real ‘Help for What Matters’.”

Conduct and litigation

“The results include a €211m charge in respect of legacy conduct issues, we acknowledge where we could have done better and are focused on putting it right for our customers.

“The majority of this charge relates to the industry-wide Tracker Mortgage Examination and includes significant programme running costs along with customer redress and compensation. We have reported good progress on our work on the Tracker Mortgage Examination as 1,885 customer accounts have been restored to a tracker rate. As previously indicated, we do expect to identify more impacted customers and we are working through this process with the Central Bank as a matter of urgency. We recognise that these are complex matters and that speed of resolution should not be at the expense of fairness or accuracy.

“Separately, in November 2016, RBS announced a new complaints review process overseen by an independent third party and the automatic refund of complex fees to SME customers in GRG in the United Kingdom and the Republic of Ireland between 2008 and 2013. In the intervening period, Ulster Bank has been working on how it can provide the same supports to its customers in the Republic of Ireland.

“We can confirm that we have begun to write directly to impacted customers to explain how this process will work and how they can avail fully of these important steps to put things right. This initial contact will be completed in Q1, further details on this can be found on our website www.ulsterbank.ie/business and we have also a dedicated freephone number for customers to call the GRG helpdesk with any queries on the process.”

Supporting our communities

“In 2016 Ulster Bank announced a new flagship three-year partnership with Young Social Innovators, building on our strong community legacy around education as well as strengthening the culture of innovation across the bank. We also became the first bank in Ireland to be consecutively accredited the independent Business Working Responsibly Mark by Business in the Community Ireland. Our determination to support our communities was seen in our One Week in June campaign where our staff raised €452,000 for cancer charities across the island of Ireland. I couldn’t be prouder of our people’s determination to make a difference for their customers and their communities.”

“While challenges remain in 2017, we maintain a strong capital position and our results reinforce our progress in building a strong and sustainable business in Ireland as part of RBS. We are focused on

reducing our operating costs to right-size our Bank while also investing in customer-facing initiatives and our brand presence for our key segments.”

Ends.