



Championing Potential

Strategic Report 2019

Ulster Bank Ireland DAC

Strategic report

2019 highlights and future strategy

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We are an Irish financial services company, providing a wide range of products and services to personal, business and commercial customers in the Republic of Ireland.

Approval of Strategic Report

The Strategic Report for the year ended 31 December 2019 was approved by the Board of directors on 22 April 2020.

By order of the Board.

Company Secretary Andrew Nicholson

Chairman Des O'Shea

Executive directors Jane Howard
Paul Stanley

Independent non-executive directors Dermot Browne
William Holmes
Martin Murphy
Rosemary Quinlan
Gervaise Slowey

Board changes in 2020 Helen Grimshaw (non-executive director) resigned on 15 January 2020

Approach to non-financial performance reporting

European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulations 2017. The Bank complies with the above regulations by publishing the required disclosures in its strategic report, which constitutes a separate, non-financial information statement to the Bank's 2019 Annual Accounts. This document is made available on the Bank's website (www.ulsterbank.ie) within six months of the Bank's financial year end date. We have also begun reporting in accordance with guidance from the International Integrated Reporting Council and the recommendations of the Taskforce on Climate-related Finance Disclosures (TCFD).

COVID-19

This report is written as of 31 December 2019 and reflects circumstances existing as at that date. At the time of publication the COVID-19 pandemic is an ongoing and rapidly developing situation; the full impact of which is highly uncertain and cannot be predicted, therefore this is not reflected in the 2019 Strategic Report.

COVID-19

Special note, 22 April 2020

The existence of a new coronavirus (COVID-19) was confirmed in early January 2020. Since then the virus has spread globally from China to a significant number of other countries, being declared a pandemic by the World Health Organisation in March 2020.

Our 2019 Strategic Report report is written as of 31 December 2019 and reflects circumstances existing as at that date. Given the significant change in our operating environment during the first quarter of 2020, as a result of the COVID-19 pandemic that is ongoing at the time of publication, it is appropriate to preface this report with an acknowledgment of this crisis and its impact on our customers, colleagues and communities.

The current COVID-19 pandemic is having an unprecedented impact on peoples' lives and business activity, both in Ireland and across the world, causing major social and economic disruption.

While the Irish economy entered this episode in a position of strength, the global spread of the coronavirus and associated containment measures are resulting in sudden and dramatic stops in commercial activity across a wide range of countries and sectors, at a pace not seen before.

The sharp shock to the economy is already being felt by many, with the hospitality, wholesale & retail, and construction sectors in Ireland particularly adversely effected. This crisis is a rapidly developing situation and therefore it is too early to fully assess the scale and duration of the economic impact. This said, we consider the balance of risks to be skewed to the downside in the short term.

Growth in economic activity is expected to resume once containment measures are eased, supported by the significant policy responses both domestically and abroad. However, the timing and speed of the recovery remain very uncertain, closely linked to the high uncertainty that surrounds the exit strategy at this time. The extent of the economic recovery will ultimately depend on a number of factors, including the duration of the containment measures and the extent of job losses and business failures.

We are actively managing the evolving impact of the coronavirus outbreak, with the safety and wellbeing of our colleagues, customers and communities being our main priority.

Ulster Bank remains well capitalised and funded and we continue to support our personal and commercial customers at this difficult time, ensuring that the banking system continues to operate effectively. Our proactive support measures include providing mortgage and repayment breaks to people and businesses impacted by this crisis.

We also recognise that the ongoing COVID-19 crisis is causing enormous disruption to many of our colleagues, just as it is to our customers. The Board and I are particularly proud of the flexibility, professionalism and commitment that staff have shown, which has enabled the Bank to continue to serve its customers safely and securely in challenging circumstances. Thank you for all you are doing.

In this testing period of uncertainty and disruption, embracing our new purpose of championing potential, helping people, families and businesses to thrive – even if that may be in the longer term for many – is more critical than ever.

Des O'Shea
Chairman

2019 performance highlights

We are building a simple, safe and more customer-focused bank

Key

- Customer experience
- Simplifying the bank
- Supporting sustainable growth
- Employee engagement
- Strength and sustainability

Customer experience

Digitally active users

70%

2018 | 69%

Net Promoter Score

-18 Personal

2018 | -6

+5 SME

2018 | +5

Digital transaction volumes

10.3m

2018 | 8.98m

Mobile log-ins

76.5m

2018 | 70.7m

Mobile log-ins using touch ID

42%

2018 | 33%

Simplifying the bank

Operating expenses

€596m

2018 | €603m

Supporting sustainable growth

New lending

€3.1bn

2018 | €2.6bn

Employee engagement

Employee engagement index

84%

2018 | 85%

Strength and sustainability

CET1 ratio

26.5%

2018 | 27.5%

Operating profit before tax

€84m

2018 | €99m

Dividend payment to parent

€500m

2018 | €1.5bn

New lending to businesses in Ireland

€1.6bn

2018 | €1.4bn

Green House Gas (GHG) operational emissions reduction*

49%

2018 | 43% *Against 2014 baseline

Personal Financial Reviews completed

38,574

2018 | 40,000



Chairman's statement

Des O'Shea
Chairman

I am pleased to report that 2019 was another year of positive progress for Ulster Bank against our strategic priorities. Increased lending to our personal and business customers and delivery of significant improvements to the customer experience, including our ongoing investment in the digitalisation of key customer journeys, are all strong outcomes for our customers. In addition, we continue to build a safe, low risk and sustainable bank.

We have also continued to make great strides in embedding a customer-focused culture, underpinned by our values of Serving Customers, Working Together, Doing the Right Thing and Thinking Long Term. By consistently living these values we are building lasting relationships with our customers. We also continue to leverage the best of RBS innovation, scale and expertise to provide best-in-class products and services to our customers that deliver real value and meet their needs.

2019 Financial performance

Ulster Bank reported an operating profit of €84m before tax for 2019. Underlying business performance was strong, with new lending of €3.1bn, up from €2.6bn the previous year. Costs reduced marginally in 2019, to €596m from €603m, due to lower project, pension and conduct costs. However, our cost to income ratio remains too high at 92.8% and remains an area of strong focus for us.

We also continue to strengthen our balance sheet. Our non-performing loan ratio improved to 9.7% in 2019, with further reductions expected as we continue to help customers in financial difficulty find sustainable solutions and realise the sale of an NPL portfolio announced in October 2019.

RWAs reduced by c.€1.2bn, ending the year at €15.0bn. This reduction was driven by a loan sale reducing non-performing exposures and improving portfolio credit metrics.

Capital and funding metrics continue to improve, with CET1 ratio remaining strong at 26.5%. I am also pleased to report that we made a dividend payment of €500m to our parent in 2019.

Operating environment

Our performance is set against the backdrop of ongoing economic and political uncertainty. In particular, the lower-for-longer interest rate environment and ongoing uncertainty around the UK's exit from the EU present major challenges, with the latter remaining a key concern for our customers, who we continue to support with this transition.

We, like our customers, are living in a period of unprecedented disruption; be it the struggle to buy a home or starting a business, the rapid growth of disruptive new technology, an ageing population, or the impact of climate change.

The way people live is also changing, along with their expectations of companies. In response to this we need to adopt a new approach to the business of banking, which moves away from one defined by products and transactions and uses the strength of the relationships we have with all of our stakeholders to build a more connected and inclusive bank.

This disruption is happening against the backdrop of an uncertain economic and political environment. Interest rates are likely to be lower for even longer now, which has an impact on our net interest income. Additionally, fintechs and neobanks are gaining traction in the Irish market, taking advantage of new technologies and open banking to compete for key segments and sectors.

Consumer confidence on the other hand continues to be supported by a relatively strong labour market and we are seeing good volumes in our mortgage business as a result. We still see opportunities to grow in our key target markets despite some of these challenging trends.

Our stakeholders

We maintain a very close, strong and collaborative relationship with our parent, RBS Group, across all levels of the Bank. The scale and strength of being part of RBS is a key differentiator for Ulster Bank in Ireland, giving us access to best-in-class innovation and expertise across a broad range of capabilities, which we will continue to leverage.

Engaging our colleagues is critical to delivering on our strategy and ambition. Being better for our colleagues means we are better for our customers, which ultimately makes us a better bank. Over 77% of our colleagues completed our most recent employee engagement survey. Our 2019 results were broadly in line with those of 2018, achieving an employee engagement score of 84. Ulster Bank continues to significantly outperform the global financial services norm (GFSN) in 11 out of 15 survey categories and our female development programmes are supporting our colleagues to reach their full potential and support our aspiration to be fully gender balanced by 2030.

We are proud that Ulster Bank became the first Irish bank to receive the 'Business Working Responsibly' mark for the third time in Q4 2019. The Business Working Responsibly Mark recognises our commitment to sustainable practices, including responsible workplace practices such as staff learning and development programmes. Our regulators are also a key stakeholder and we remain committed to building an effective, transparent and constructive relationships with them.

Looking ahead

In February, our parent, RBS Group, announced a new Purpose-led strategy for the Bank, built around the common goal of championing potential and helping people, families and businesses to thrive.

This is a challenging but exciting time for Ulster Bank as we embrace this new purpose to enhance our customer experience and proposition. Doing so will further galvanise our efforts to deliver a better service and support our customers in innovative and helpful ways, as we seek to earn their trust and establish long term relationships. In turn, I believe that Ulster Bank is well placed to generate the level of returns expected by our shareholder and that we will continue to play a crucial role in the Irish economy and wider society.

In conclusion, we have continued to build solid foundations in 2019 and will remain focused on delivering a better service for our customers, guided by our new purpose – building a more sustainable bank for the future.



Chief Executive's statement

Jane Howard
Chief Executive

Our strategy to serve customers through a digital-first approach, supported by our frontline colleagues, helping us to be effortless everyday and brilliant when it matters, continued at pace in 2019 – delivering for customers and building a stronger, more sustainable bank.

Over 70% of our personal current account customers were digitally active in 2019, assisted by a 'TechXpert' in every branch, helping our customers make the most of our digital and mobile banking services. In 2019 we introduced the ability to lock / unlock your debit card and encourage better savings habits by creating 'savings goals' in our mobile banking app. We also opened our first digital store in Swords, Co Dublin, which re-imagines the branch experience and empowers our customers to choose better and more efficient ways to bank.

Helping our customers

In 2019 we lent €1.4bn to help over 6,000 customers buy a new home, switch mortgage or buy an investment property. We also delivered new and improved services to our customers, as well as expanding and simplifying our competitive rates for new and existing customers. Our 'Manage my Mortgage' online platform made it much easier for more than 4,000 customers to switch to a new rate online in 2019. We also introduced online Approval in Principle with our new Home Buying Platform, while our mortgage specialists are available in branch, on the phone or via our mobile mortgage manager network to help people with one of their biggest financial decisions.

We increased new lending to business customers to €1.6bn in 2019, supporting SMEs across a range of sectors – seeing strong activity in agriculture, food & drink, healthcare and asset finance in particular. We continue to invest in our products and services for businesses, launching ClearSpend, which gives customers more control over their commercial credit card spending, and a new fixed rate loan product that delivers simpler and faster fixed rate loans to SME customers. We also continued our Brexit supports for Irish businesses, including our business roadshow in partnership with the British Irish Chamber of Commerce.

As we continue to simplify our processes and improve our service, we can see that our structures are unnecessarily complex and can get in the way of delivering for our customers. We are continuously reviewing how best to structure our business to better support our customers, colleagues and communities. Doing so will build deeper relationships with our key stakeholders and help us to be effortless every day and brilliant when it matters.

Protecting our customers

We take the safety and protection of our customers and their money very seriously. In 2019 we prevented over €5m of attempted fraud and took proactive steps to help customers protect themselves, with over 800 of our colleagues completing Friends Against Scams training. We also ran 140 fraud awareness events throughout Ireland, reaching 3,000 customers and non-customers. This is real evidence of our customer focused culture in practice.

Building Financial Capability

Empowering customers to make better financial decisions and achieve their goals is another key area of focus for us. We completed over 38,000 Personal Financial Reviews with customers in 2019 and our MoneySense programme has reached over 110,000 school children since 2015.

Making a difference for the environment and our communities

We take our environmental responsibilities seriously at Ulster Bank, becoming the first bank to achieve Zero Waste to Landfill accreditation from the Carbon Trust in 2019, recognising our commitment to recycling. We also purchase 100% of our energy from renewable energy sources and, as a signatory of Business in the Community Low Carbon Pledge, we are well on our way to achieving a 50% reduction in Scope 1 and Scope 2 emissions by 2030. We are also a founding signatory of the UNEP Principle for Responsible Banking, through our parent, RBS.

In addition to our climate commitments, we recognise our role in helping local communities. Between our colleague fundraising and our Staff Charity Fund our colleagues raised over €240,000 and spent 3,000 hours volunteering with good causes across the country in 2019.

Becoming a Purpose-led organisation

As we look ahead to 2020 and beyond, we have a new and exciting Purpose-led strategy, in line with our parent, built around the common goal of championing potential, helping people, families and businesses to thrive.

This new purpose is built on three key pillars:

- Enterprise, and the barriers that too many face to starting a business;
- Learning, and what we can do to improve financial capability and confidence for our customers, as well as establishing a dynamic learning culture for our employees;
- Climate, and the role we can play in accelerating the transition to a low carbon economy.

We are building on solid foundations and our new purpose will sit at the centre of our decision making and culture, supported by three key principles:

- Safe - safety and soundness must underpin everything we do. We have strong capital and liquidity positions and are well placed to help our customers succeed. In today's digital world, our operational resilience and keeping our customers' data safe are top priorities.
- Simple - we are still too complicated for our customers. Much of our potential value is locked in business lines and business models that are too complex and generating too little return.
- Smart - taking a disciplined approach to cost means we can make smart investment choices, investing to improve our services across our personal and commercial customer bases. We will continue to explore the potential for partnerships across industries, and within banking, that can help us innovate faster and ensure our investment is wisely spent.

I know from experience that we will only succeed when our customers and wider communities succeed. Our new Purpose will be the standard by which we hold ourselves to account. I am confident that our new strategy and purpose will deliver sustainable long term returns and build a bank that delivers great service to our customers, which all of us can be proud of.

Our Purpose-led strategy

A purpose-led bank responding to the changing needs of all stakeholders.

Being purposeful is about recognising our business is made up of a network of relationships with multiple stakeholders with different interests. To be purpose-led and create long term sustainable value we need to balance appropriately the interests of all stakeholders and move from being transactional to relationship focused.

Purpose will sit at the core of all our decision making, and we will aspire to live by it every day. Delivering on our Purpose will create longer-term, deeper relationships with our customers helping them to thrive throughout their lives. When our customers succeed, our communities succeed, our economy thrives and we too succeed.

Our Purpose

We champion potential, helping people, families and businesses to thrive.

As part of our shift to being purpose-led there are currently three key areas where we believe our business and role in society means we can make a meaningful contribution.

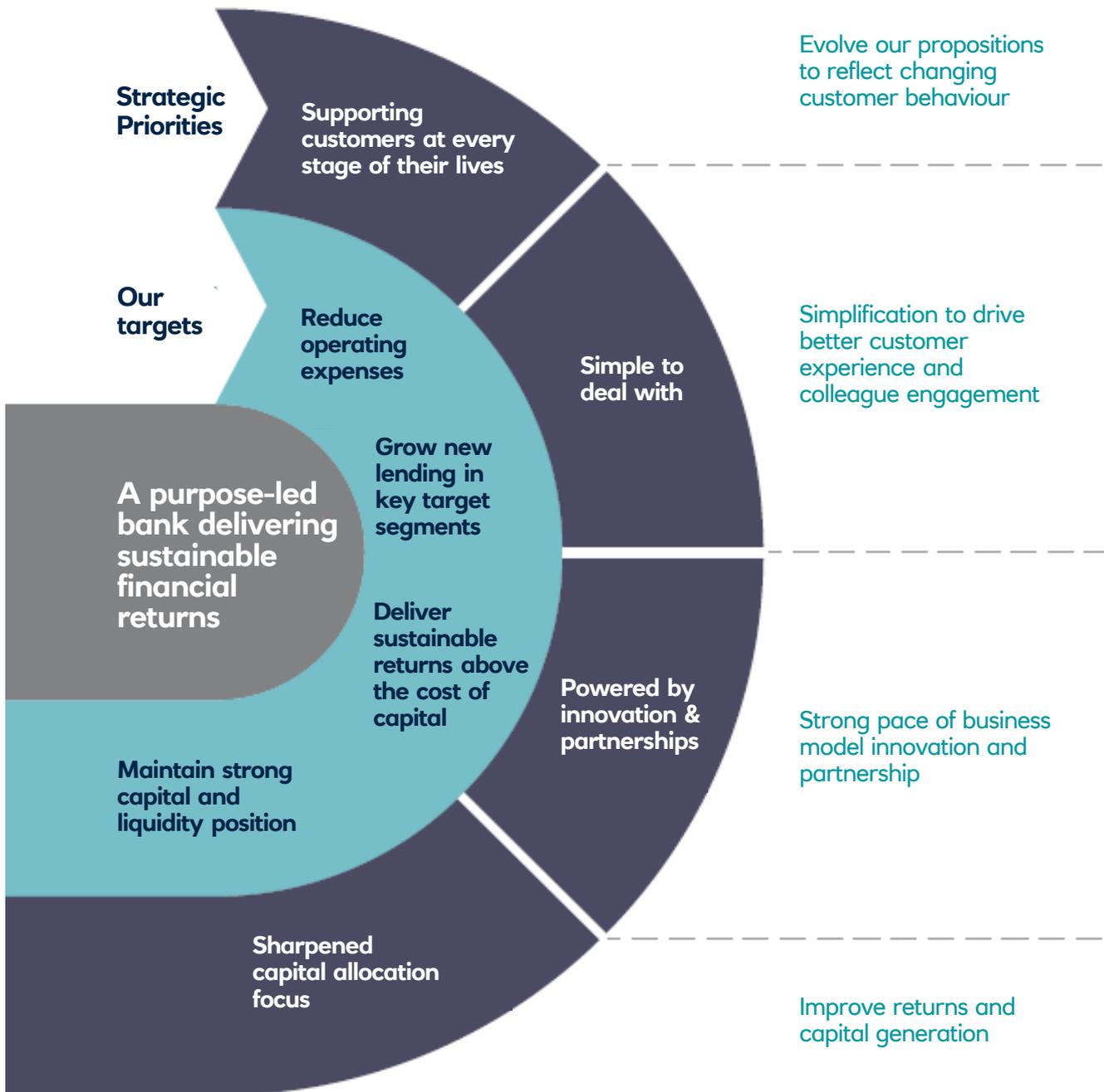
Our areas of focus

Our Ambition

Enterprise	Learning	Climate
A leading supporter of SMEs in Ireland	Leading learning organisation; enhancing the financial ability of Ireland and the skills of employees	Leading bank in Ireland helping to address the climate challenge
		

Strategic priorities

Our purpose-led approach is supported by our strategic priorities. Taken together with our financial targets, these set out how we will create value and deliver sustainable financial returns for the benefit of all our stakeholders.



2019 performance at a glance

Strength and sustainability

Operating profit before tax

	€m
2019	84
2018	99

Loan to deposit ratio

	%
2019	98
2018	105

CET1 ratio

	%
2019	26.5
2018	27.5

The Group's capital position remained strong during 2019, as evidenced by the CET1 ratio of 26.5% at 31 December 2019 following a dividend of €500m paid to the Bank's parent, NatWest Holdings (2018 - 27.5%).

Non performing loan ratio

	%
2019	9.7
2018	11.3

The non-performing loan ratio reduced from 11.3% at 31 December 2018 to 9.7% at 31 December 2019. The sale of an additional portfolio of non-performing loans was agreed during the financial year.

Income

	€m
2019	642
2018	725

Net interest income decreased by 8% to €458m, reflecting lower income following the sale of a portfolio of non-performing loans. Non interest income decreased by €41m, primarily due to adverse movement in the mark-to-market on interest rate swaps and the implementation of cashflow hedging programme in 2019, amongst other factors.

Net interest margin

	%
2019	1.58
2018	1.77

Net interest margin decreased by 19 basis points, primarily reflecting reduced income from non-performing loans following asset sales and a 2019 IFRS 9 accounting change for interest in suspense recoveries (with an offsetting impact in impairments).

Customer experience

Digitally active users

	%
2019	70
2018	69



New credit card application customer journey down from 30 days to 5 days.



New personal loan application journey reduced from 28 days to 4 days.

Digital transaction volumes

	m
2019	10.30
2018	8.98



Over 4,000 product switches via Manage my Mortgage platform.



25% reduction in routine customer complaints in 2019 (excludes remediation-related complaints).

Simplifying the bank

Operating expenses		€m	Cost: income ratio		%
2019		596	2019		92.8
2018		603	2018		83.2

Operating expenses decreased marginally to €596m in 2019, largely driven by a reduction in the impact of legacy issues which were off-set by increases in certain operational costs, including investment in technology and additional depreciation and impairment charges.

Risk-weighted assets		€bn	
2019		15.0	RWAs reduced by c. €1.2bn, ending the year at €15.0bn (from €16.2bn in 2018). This reduction was driven by a loan sale reducing non-performing exposures and improving portfolio credit metrics.
2018		16.2	

Employee engagement

Employee engagement score		%	Female representation in our top management roles ¹		%
2019		84	2019		36
2018		85	2018		36

Our 2019 colleague opinion survey demonstrates continued high levels of employee engagement, outperforming the global financial services norm (GFSN).

Inclusion and diversity across top management roles is at our highest level, with female representation of 37.5% amongst Board members and 40% amongst Executive members and attendees.

¹Includes our Board, Executive and Senior Manager population.

Supporting sustainable growth

Gross total lending to personal and business customers		€bn	Gross new mortgage lending to personal customers		€bn	Gross new lending to business customers		€bn
2019		22.2	2019		1.4	2019		1.6
2018		21.9	2018		1.1	2018		1.4

We continue to achieve net lending growth in a challenging market. Across Personal Banking and Commercial Banking, net loans to customers increased by 1.6% in 2019. Gross new mortgage lending increased by €0.3bn, 27%, in 2019.



One of the first companies globally to commit to all three of The Climate Group's initiatives around renewable energy (RE100), electric vehicles (EV100) and energy productivity (EP100) in our operations.



One of the Founding Signatories of the UN Principles for Responsible Banking, committing to further aligning our strategy to the 2015 Paris Agreement and the UN Sustainable Development Goals (SDGs).

Outlook

Ulster Bank, like all companies, continues to deal with a range of significant risks in the external economic, political and regulatory environment. However, a wide range of indicators have confirmed the strength of recent Irish economic performance, reflecting solid momentum in both domestic and export demand. Our central economic forecast, which supports our financial plan, is in line with industry consensus as at the end of December 2019, and shows average Irish GDP growth of ~3% from 2020 to 2024, with interest rates increasing over the medium term.

2020 Outlook

Our outlook is built upon the assumption that a 'Hard Brexit' is avoided. However, we will continue to monitor and adapt our strategy as this situation evolves.

We anticipate underlying loan book growth across our Personal and Commercial Banking businesses, underpinned by rising employment and income and the ongoing rebound in construction activity. Transaction charging now provides an incremental source of fee income, while giving customers choice.

In common with our peer banks in the Republic of Ireland, the low interest rate environment will continue to impact income growth, as will the cost of capital issuances.

A key part of our strategy is to normalise the level of non-performing loans on our balance sheet towards EU average levels. This will be delivered through completion of a further asset sale, which we announced in 2019, and an enhanced contact strategy to support customers in long term arrears.

We are committed to reducing our operating expenses over the medium term, which will be supported by continued focus on operational efficiencies and by simplifying and digitising customer journeys. We also expect to materially complete major remediation projects by the end of 2020. However, our cost base will continue to be impacted by government levies and the significant regulatory agenda.

Medium term outlook

We expect lending growth to continue, supported by a competitive customer proposition and growth in the wider credit market.

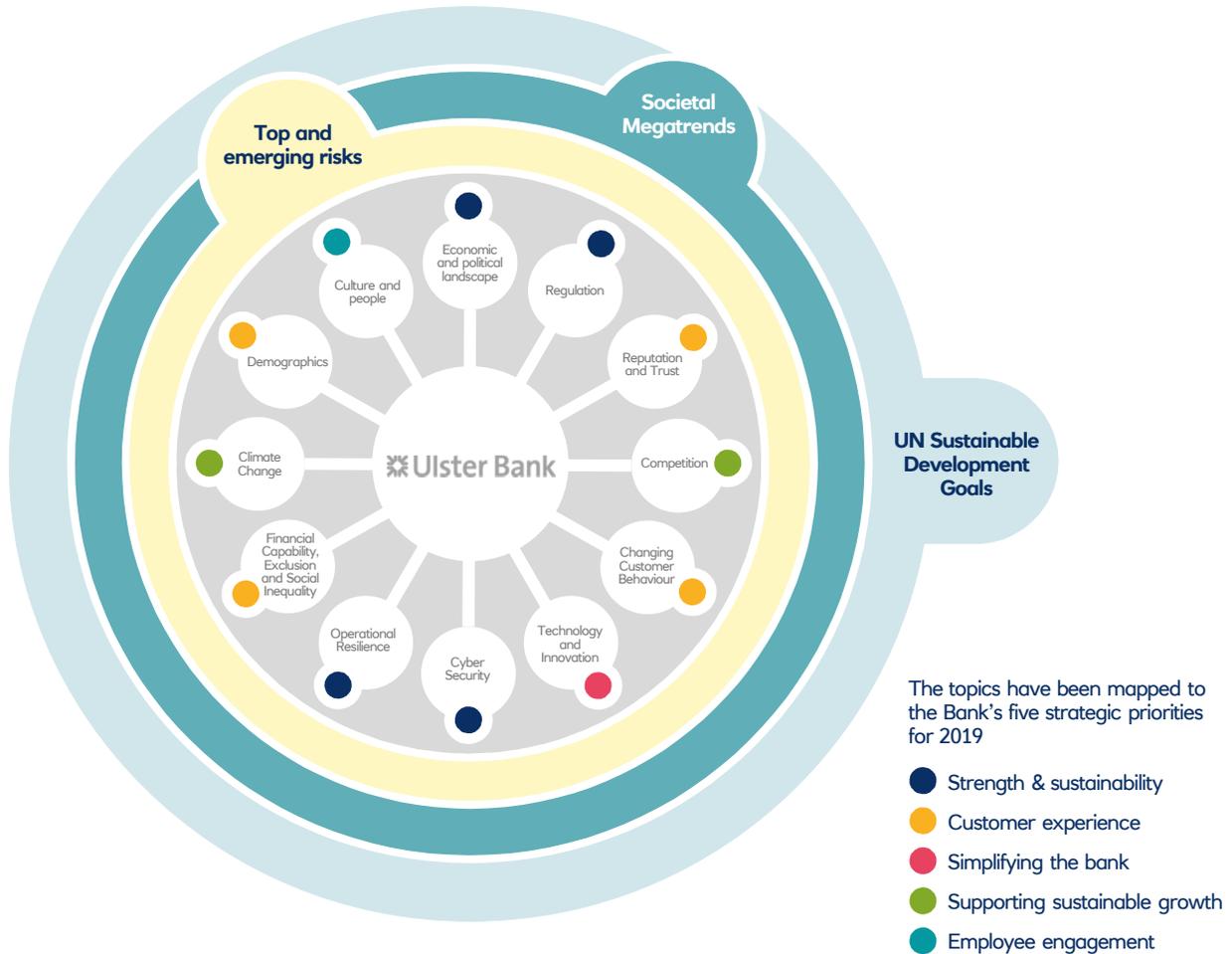
Although interest rates are expected to rise in the outer years, key market rates still remain negative, hindering significant rate-driven income growth, as underlying business income is partially eroded by the rising cost of capital issuances.

A more efficient operating structure, combined with income growth, will support a continued reduction in the cost income ratio towards a level that is appropriate for the scale of our business.

Ulster Bank intends to continue on its path of capital repatriation to our parent, RBS, over the medium term, subject to regulatory approval, while maintaining our strong capital position.

We are confident that we can deliver on our purpose-led strategic ambitions and financial returns that meet the expectations of our stakeholders. These ambitions, and our outlook, are underpinned by a strong leadership team, engaged workforce and a culture of consistently living our values to act in the best interests of our customers, colleagues and stakeholders.

Our operating environment



The topics have been mapped to the Bank's five strategic priorities for 2019

- Strength & sustainability
- Customer experience
- Simplifying the bank
- Supporting sustainable growth
- Employee engagement

Our operating environment continues to evolve at pace across economic, social, environmental, political, regulatory and technological boundaries. We recognise broader elements, such as societal megatrends and the UN Sustainable Development Goals (SDGs), which inform our thinking and approach.

Strength and sustainability

Economic and political landscape

A range of indicators paint a generally-positive picture of the Irish economy's performance in 2019. However, after several years of very strong recovery, there are unsurprising signs of moderation amid softer global growth and elevated levels of international economic uncertainty.

Notably, trends in the labour market have remained very healthy. Employment rose by 2.9% year on year in 2019 as a whole, unchanged from both 2018 and 2017. The strong uplift in employment has also continued to exert downward pressure on the unemployment rate, which ended 2019 at a 13-year low of 4.7%.

Turning to house prices, annual growth has eased significantly over the past year (latest is 0.9% year on year in December, down from the April '18 peak of 13.3%), a trend that likely reflects the effects of the Central Bank of Ireland's lending rules and increasing supply.

Looking ahead, while global growth momentum has softened and economic uncertainty remains high, the Irish economy is expected to continue to improve in the coming years, albeit at a more moderate pace following several years of exceptionally strong growth.

There are both upside and downside risks to the Irish outlook, but the balance of risks remains tilted to the downside, with Brexit continuing to warrant particularly close attention.

Strength and sustainability

Regulation

We operate in a highly regulated market, which continues to evolve in scope to include competition, financial risks from climate change, customer vulnerability, operational resilience and cyber-attack. Ulster Bank is committed to complying with all regulation and welcomes the positive impact on customers and other stakeholders.

Cyber Security

Disruptive cyber-attacks and fraud remained a growing threat to the industry in 2019. Maintaining operational resilience remained a commercial imperative for the Bank in 2019 and significant investment continues to prevent, monitor and detect cyber-attacks and fraud. This includes participation in industry-wide initiatives, through our parent, to monitor and anticipate developments aimed at protecting our customers data and assets.

Operational Resilience

2019 has seen continued regulatory focus and media coverage on the operational competency of Irish banks, including data breaches and technology failures. To provide continuity of service for customers with minimal disruption, we must continue to monitor and assess a diverse and evolving array of threats, both external and internal, as well as developing, strengthening or adapting existing control capability to be able to absorb and adapt to such disruptions.

Customer experience

Demographics

Demographic shifts mean that the needs and behaviours of our customers are changing, amplified by rapid technological change.

Key trends impacting our customers include retiring later and working longer, buying a house later in life and often with support of family members and more focus on financial planning for retirement. Ulster Bank is committed to supporting the evolving needs of our customers ranging from helping first time buyers to supporting vulnerable customers.

Changing Customer Behaviour

Customers' needs and behaviours are changing as a result of new technologies, demographic shifts and changing labour patterns. Key trends include the increasing use of new technologies resulting in faster and tailored customer service.

Ulster Bank understands the importance of supporting customers evolving needs and focusing on customer life journeys to tailor services and products that meet their evolving needs and expectations.

Financial Capability, Exclusion and Social Inequality

Supporting financial capability goes beyond delivering fair products and great service. It also means helping our customers, wider society and future generations to develop good money management skills so they are empowered to make better financial decisions.

Against a backdrop of changing customer behaviour, and an increased focus on debt, fraud and customers in vulnerable situations, we are more committed than ever to supporting our diverse range of customers – helping them to access suitable banking services and manage their money well on a day-to-day basis, through significant life events and during periods of financial difficulty.

Housing is a major expense for many people across Ireland, particularly in and around Dublin and other cities. There are concerns about the affordability and availability of housing, as well as the relatively high proportion of non performing loans. The property market remains a key external factor and consideration for Ulster Bank given we lend to personal mortgage customers and the construction sector.

Reputation and Trust

Restoring trust and safeguarding reputation remains a key priority for most banks. Ulster Bank continues to strive to build a reputation for serving our customers well and championing their potential, in a safe and secure manner, in addition to generating value for our shareholders and broader society, through the products, services and facilities we provide.

Simplifying the bank

Technology and Innovation

The pace of technological change continues to accelerate, influencing the behaviours of our customers and redefining traditional business models. Technologies such as cloud computing and machine learning offer huge opportunities but also create new risks that must be closely managed. In 2019, our parent, RBS, spent over £890m on Technology and a further £125m on innovation, helping to deliver innovative solutions for our customers whilst simplifying processes, reducing cost and improving our resilience and stability.

Supporting sustainable growth

Competition

The level of competition in the Irish banking market remained intense in 2019 driven by a combination of technology, lower barriers to entry and regulation including Open Banking.

The competitive landscape is evolving as fintech and large technology companies contribute to greater choice for how banking needs are met. Ulster Bank remained focused on innovating to evolve our business model and deliver first class, compelling propositions to our customers.

Climate Change

Ulster Bank recognises climate change as a top risk and strategic priority. Ensuring banks manage the financial risks associated with climate change has also risen up the regulatory agenda. We will continue to work with RBS to integrate climate-related financial risks into the risk framework and to proactively support our customers transition to a low carbon future.

Employee engagement

Culture and People

The Bank's long-term success depends on building and nurturing a healthy culture where colleagues are engaged, and where our working environment is underpinned by robust risk behaviours. We are proud to be building an inclusive bank which is a great place for all colleagues to work. Culturally, becoming a learning organisation is a strategic priority. We need to prepare colleagues for the future and we continue to focus broader development on our Critical People Capabilities.

How we create value

1. Our key resources



Financial

We make use of shareholder capital and other forms of financial capital, including over €20bn in customer deposits.



Natural

We make use of energy and resources such as paper and water to conduct our business activities. RBS, which includes Ulster Bank, have committed to RE100 and pledged 100% renewable electricity in the group's global operations by 2025.



Infrastructure

We rely on online and mobile banking, our branches and An Post partnership, mobile branches, telephony, webchat and self-service options like ATMs and cash deposit machines. In support of these channels during 2019 our technology systems have been available 99.98% of the time.



Human

We rely on an engaged, healthy and inclusive workforce to deliver our strategy to over 700K personal and business customers in the Republic of Ireland.

2. Our business activities

Our Customers

We provide financial services to personal, business and larger corporate and institutional customers in the Republic of Ireland.

We believe in treating customers fairly, offering flexibility in how customers choose to bank with us and providing extra help to vulnerable customers and those in financial difficulty. This means keeping their funds safe and secure, improving financial capability and supporting enterprise.

Our Business Model

We earn income from interest gained on loans to our personal, business and commercial customers, as well as fees from customer transactions and other services.

We pay interest to customers and investors who have placed deposits with us and bought our debt securities.

The attributable profit generated is either reinvested to improve products and services for our customers or returned to our parent and shareholder, RBS, as capital dividend repayments.

Our Products and Services

We provide a comprehensive range of banking products and related financial services to personal, business and commercial customers. We serve our customers 24/7 through our networks of branches, dedicated business relationship managers, mobile banking, digital banking, contact centres, broker channels, ATMs and strategic partnership with An Post.

We are helping people to build and grow businesses through innovative enterprise programmes and finance projects. We also support larger corporate customers in Ireland and offer financing, risk management and trading solutions.

3. How we create value for our customers and society

Our long term success is dependent on serving our customers well and generating value for society through our products, services and facilities.

 <p>Protecting our customers</p>	<ul style="list-style-type: none"> Prevented thousands of cases of attempted fraud against our customers in Ireland, amounting to €5.26m. Over 800 employees completed 'Friends against Scams' training in 2019, to help protect our customers against fraud. 140 Friends Against Scams events in communities around the country, with 3,000 customers and non-customers completing Friends Against Scams training. 	<p>Keeping money safe and accessible for our customers</p>
 <p>Building financial capability</p>	<ul style="list-style-type: none"> 38,574 Personal Financial Reviews were completed in 2019 with customers around the country. 976 school children took part in MoneySense classroom workshops in 2019, with the programme reaching 110,000 pupils across Ireland since 2015. Over 100 staff completed the new 'Personal Banker' qualification. Helped over 10,000 customers open a savings account. 	<p>Empowering customers to make better financial decisions and achieve their goals</p>
 <p>Jobs and the economy</p>	<ul style="list-style-type: none"> Third largest bank in Republic of Ireland, with a workforce of over 2,200 people, making us a major national employer. In 2019 we lent €1.6bn to Irish businesses, who in turn employ thousands of people across the country. €78m contributed in taxes and levies to the Irish Government in 2019. 	<p>A responsible business supporting employment across Ireland</p>
 <p>Supporting enterprise</p>	<ul style="list-style-type: none"> Credit Guarantee Scheme for SME customers, supported by an 80% Government Guarantee. New €50m SBCI Future Growth Loan Scheme launched in 2019. 	<p>Helping people develop, build and grow businesses</p>
 <p>Improving digital capability</p>	<ul style="list-style-type: none"> 70% of the Bank's personal current account customers were digitally active, with 48% of customers now using our mobile app. All 88 branches have a 'TechXpert' available, helping customers to take advantage of our digital and mobile banking services. Digital Mastery training launched for all branch colleagues. 	<p>Offering customers more choice and ways to bank</p>
 <p>Making a difference for the environment</p>	<ul style="list-style-type: none"> Signatory of Business In The Community (BITC) Ireland's Low Carbon Pledge, committing to a 50% reduction in Scope 1 and Scope 2 emissions by 2030. A founding signatory of the UNEP Principle for Responsible Banking, through our parent RBS. First bank in Ireland to achieve Zero Waste to Landfill accreditation, through the Carbon Trust. As part of our RE100 commitment, Ulster Bank purchases 100% of its energy from renewable energy sources. 	<p>Addressing the risks and opportunities climate change presents to us and our customers</p>
 <p>Community and charitable giving</p>	<ul style="list-style-type: none"> Our colleagues volunteered 3,000 hours in 2019 to good causes. €160,000 raised for 60 charities during our staff fundraising campaign, Do Good Feel Good, in June. Our Staff Charity Fund donated €82,958 to local charitable causes and organisations in 2019. 	<p>Our colleagues make a difference supporting charities and local communities</p>
 <p>An inclusive culture</p>	<ul style="list-style-type: none"> Progress continued on our inclusion agenda to value diversity in all its forms to be gender balanced, ethnically diverse, disability smart and LGBT innovative. 37.5% and 40% female representation amongst our Board and Executive members respectively. 	<p>Building a great place to work that reflects the society we are proud to serve</p>
 <p>Housing</p>	<ul style="list-style-type: none"> Lent €657m to first time buyers in 2019. Provided €1.4bn of new mortgage lending, helping thousands of customers buy or move home, or switch mortgage. Continued our support to the Irish construction sector, helping to finance over 1,200 new homes across the country. 	<p>We are helping customers to get onto the property ladder</p>



Ulster Bank, as part of the RBS Group, became one of the Founding Signatories of the United Nations Principles for Responsible Banking in 2019, committing to begin aligning our strategy to the Paris Climate Agreement and the UN Sustainable Development Goals (SDGs). This commitment supports the bank's continued focus on priority areas such as financial capability, enterprise and the environment.

Teaching young people about money and fraud

Since 2015 MoneySense has helped more than 110,000 young people in Ireland learn about money and become more financially confident.

In 2019, our volunteers helped to deliver workshops to nearly 1,000 students in classrooms across the country, using key money moments in a young person's life – starting to save their pocket money, opening a bank account or getting their first mobile phone – to make learning about money feel relatable.

Our MoneySense programme is continually updated with new content and materials, and in 2019 we launched a new “Fraud Scene Investigators” workshop in secondary schools. This workshop was introduced in response to worrying research showing that the number of children being used as money mules via social media has risen by 73% in the last two years. It teaches young people how to stay safe online, particularly when they're using social media.

We also added new parent resources to our website, providing advice and information for the changing world that our children are growing up in – areas such as “Addressing your child's money worries” and “The different ways we pay for things”.

We firmly believe that better financial education at a young age will bring greater security and overall financial well-being for the future, and we are committed to making that happen.



Building the branch of tomorrow

In December we opened the doors to our first Digital Store in Swords, Co Dublin, which re-imagines the branch experience for customers.

We are always looking for better ways to serve our customers, including our in-branch experience. Through an extensive process of customer-led design and input from colleagues across the bank, including those who support our customers on a daily basis, we have created our first Digital Store, which opened in December 2019.

The result is a new open-format branch, with relaxed consultation areas, coffee dock and collaborative spaces, which hosts new digital services and ways of supporting our customers – helping us to be effortless every day and brilliant when it matters.

Through our Digital Mastery training programme and Personal Banker qualification we are empowering our branch colleagues to better support customers with their digital and personal banking needs. We are also helping to educate our customers and the wider community about fraud through our Friends Against Scams programme.



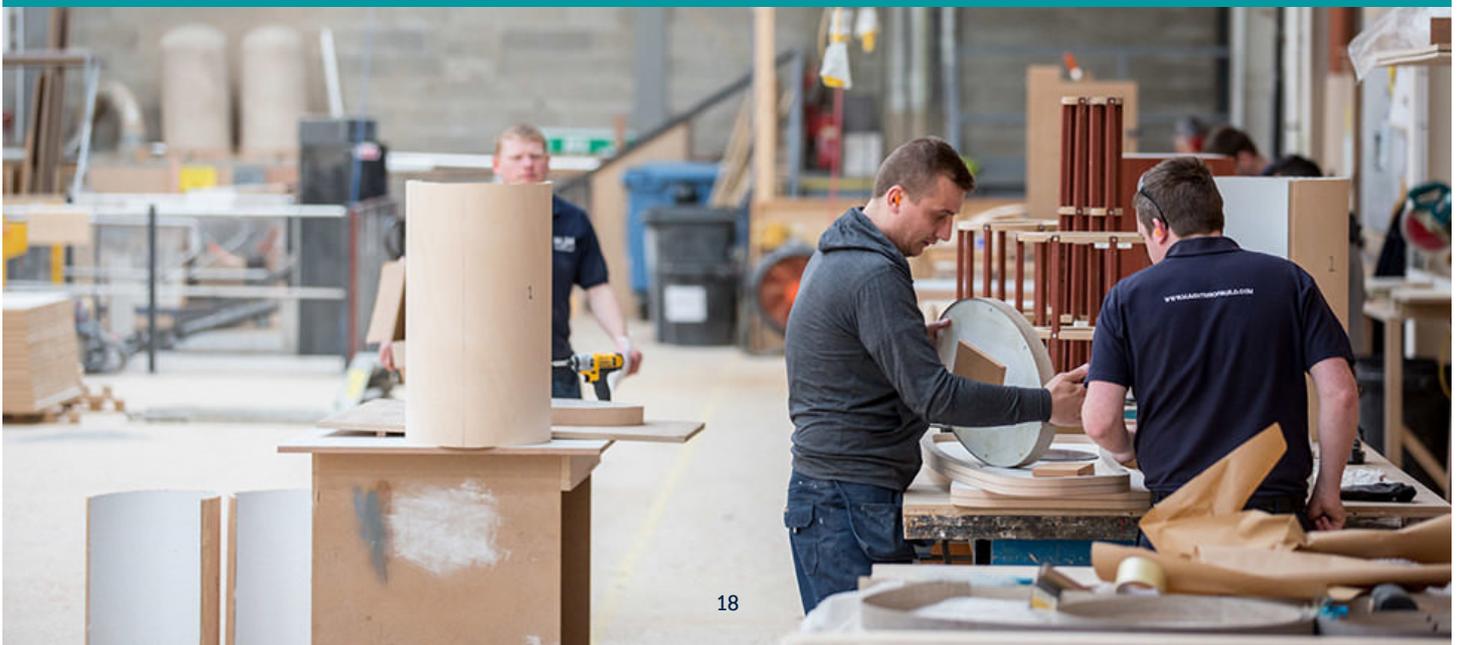


Our business

Ulster Bank provides a comprehensive range of financial services through its Personal and Commercial Banking divisions.

Personal Banking provides a wide range of retail banking products and related financial services to personal customers, via our national network of branches and direct channels, including internet, mobile and telephony.

Commercial Banking provides services to start-up, SME, Commercial and larger Corporate customers in Ireland. This includes financing business assets and invoices, as well as providing specialist finance and transaction services, through a dedicated network of relationship managers.



Personal Banking

Our Personal Banking business is committed to making banking effortless every day and brilliant when it matters. As part of our digital-first strategy, we continue to invest in our online and mobile banking channels, underpinned by our professional colleagues who are dedicated to helping our customers.

Personal Banking generated new mortgage lending of €1.4bn in 2019 an increase of 27% on 2018. Lending was driven by both the continuation of our 'First Five' mortgage initiative, offering a range of benefits to first time buyers, as well as the new 'Movers and Switchers' campaign. The initiative, launched in January 2019, offered market-leading four and seven year fixed rate mortgages, aimed at supporting homeowners seeking to upsize as their family grows and save money by switching to lower rates.

We continued to focus on strengthening our digital and technology offerings as part of the home buying and ownership journey. In October, a new Home Buying Platform was launched. The platform enables customers to begin their home buying journey online by obtaining an agreement in principle, with additional functionality planned for 2020.

For existing customers, the 'Manage My Mortgage' portal, launched in 2018, had additional features introduced during 2019. The new functionality enables eligible customers to complete a product switch online, with the portal now fully optimised for mobile and tablet users.

As part of our digital-first strategy, we continue to invest in our online and mobile banking channels. A number of new features were introduced in 2019 to the mobile app, including the ability for Ulster Bank MasterCard credit card customers to implement a merchant restriction on their card to block any gambling related transactions. Ulster Bank Visa debit card customers can now also temporarily freeze their debit card if it is misplaced, a feature introduced previously for Ulster Bank MasterCard credit cards. During 2019, 70% of the Bank's personal current account customers were digitally active, with 48% of customers now using the mobile app.

The continued development and optimisation of the Bank's digital and technology offerings was complemented by a comprehensive geographical presence to meet customers' needs across the country. This included ongoing investment in our branch network in 2019 to better serve customers and improve efficiency – testing new design concepts, including opening our first Digital Store in Swords, and piloting technology such as Qudini; a branch concierge tool to help customers speak to the right person quicker.

We expanded our mortgage broker panel, with new lending generated via the intermediary mortgage channel increasing by 35% from 2018.

We also continued to invest in developing the skills of our people. Each of the Bank's network of 88 branches has a 'TechXpert', whilst over 100 branch staff became qualified Personal Bankers in 2019, able to assist customers with a variety of products and services to suit their needs.

Our fleet of five mobile banks and team of Community Bankers continue to support rural towns and communities with personal and business banking services. Our Community Bankers each visit up to nine towns or communities weekly. The team host a range of events to support communities, covering topics such as fraud awareness. Community Bankers also partnered with the local branch network to deliver 'digital days' covering the use of technology to make banking safer, easier and more convenient.

Improving the home buying and ownership journey

We want to be effortless every day and brilliant when it matters for our customers, which is why we made significant improvements to the end-to-end home buying and ownership journey in 2019.

Our new Home Buying Platform enables customers to input their details and obtain an Agreement in Principle (AIP) online. Additional functionality will be delivered in 2020, which will include enabling customers to upload documents to their profile, and apply for a mortgage online.



Commercial Banking

As one of the leading business banks in Ireland, we have professional relationship management at our core and a strong regional network, providing deep sector and business insight to help Irish businesses and the Irish economy succeed.

Commercial Banking continued to support new and existing customers with their growth and investment plans throughout 2019, lending €1.6bn, an increase of 11% on 2018. New lending performance was particularly strong in the Corporate segment, where the Bank supported customers in the healthcare, hospitality and leisure sectors, while the Commercial Real Estate team continued to support sustainable residential and commercial property development and investment within the Bank's risk appetite.

We continue to deliver innovative solutions for our customers' evolving needs, launching 'ClearSpend' in 2019, an app developed in partnership between the RBS Group and SpendLabs. This tool enables Ulster Bank business customers to view and manage company card spending in real-time, allowing greater control and visibility of commercial card transactions. We also launched our new Rate Manager platform, which delivers a simplified and faster fixed rate borrowing option for our SME and Corporate customers.

Our Lombard asset finance business continued to report strong year-on-year growth, with new lending increasing by 17% from 2018. This growth was driven by a 25% increase in the Bank's consumer car finance business, Lombard Motor Finance.

Support for Agri sector customers continued to be a key strategic priority with the Ulster Bank participating in the Strategic Banking Corporation of Ireland's (SBCI) Future Loan Growth Scheme.

We also partnered with the dairy sector's Teagasc Moorepark Open Day, where Ulster Bank sponsored the Dairy Farm Infrastructure Workbook, which highlighted the key technologies that dairy farmers should consider investing in to best position themselves for future growth.

In conjunction with the Dublin Chamber of Commerce, the Bank hosted the Momentum Event Series, a forum providing entrepreneurs and SMEs with the opportunity to hear insights and advice from industry experts.

We also continued key partnerships including with the British Irish Chamber of Commerce, hosting regional events covering the impact of Brexit on companies and how to support growth post-Brexit.

Ulster Bank recognises the impact that continued uncertainty over Brexit is having on customers. During 2019, the Bank launched a comprehensive communications programme, including customer-specific outreach and questionnaires and a communications hub on the Bank's website to deal with the questions that customers might have. We continue to assess the possible impact of a range of Brexit outcomes for our customers and are focused on delivering the product and relationship support they need in preparing their businesses for the future.

Backing Irish business

Ulster Bank is proud to support Irish business, including backing the acquisition of leading Irish food manufacturing and export businesses, Green Isle Foods and Donegal Catch, by an investor group led by Maurice Hickey, former Chief Executive of Largo Foods.

This deal, in partnership with the Ireland Strategic Investment Fund (ISIF), will support over 100 jobs in Ireland and facilitate the combined businesses plans to grow revenue and diversify its business base, while building on the existing strong market positions held by both the Green Isle and Donegal Catch brands in Ireland.



Our culture and values

At Ulster Bank, we define culture as “the way we do things - consistently living our values to act in the best interests of our customers, colleagues and stakeholders”.

We are working to strengthen our culture to deliver better outcomes and build a more sustainable bank.

Our values guide our actions every day, in every part of our business. They are the foundation of how we work at Ulster Bank. Consistently living our values will help us to build a great culture.

Serving customers

We exist to serve customers

We earn their trust by focusing on their needs and delivering excellent service.

Doing the right thing

We do the right thing.

We take risk seriously and manage it prudently.

We prize fairness and diversity and exercise judgement with thought and integrity.

Thinking long term

We know we succeed only when our customers and communities succeed.

We do business in an open, direct and sustainable way.

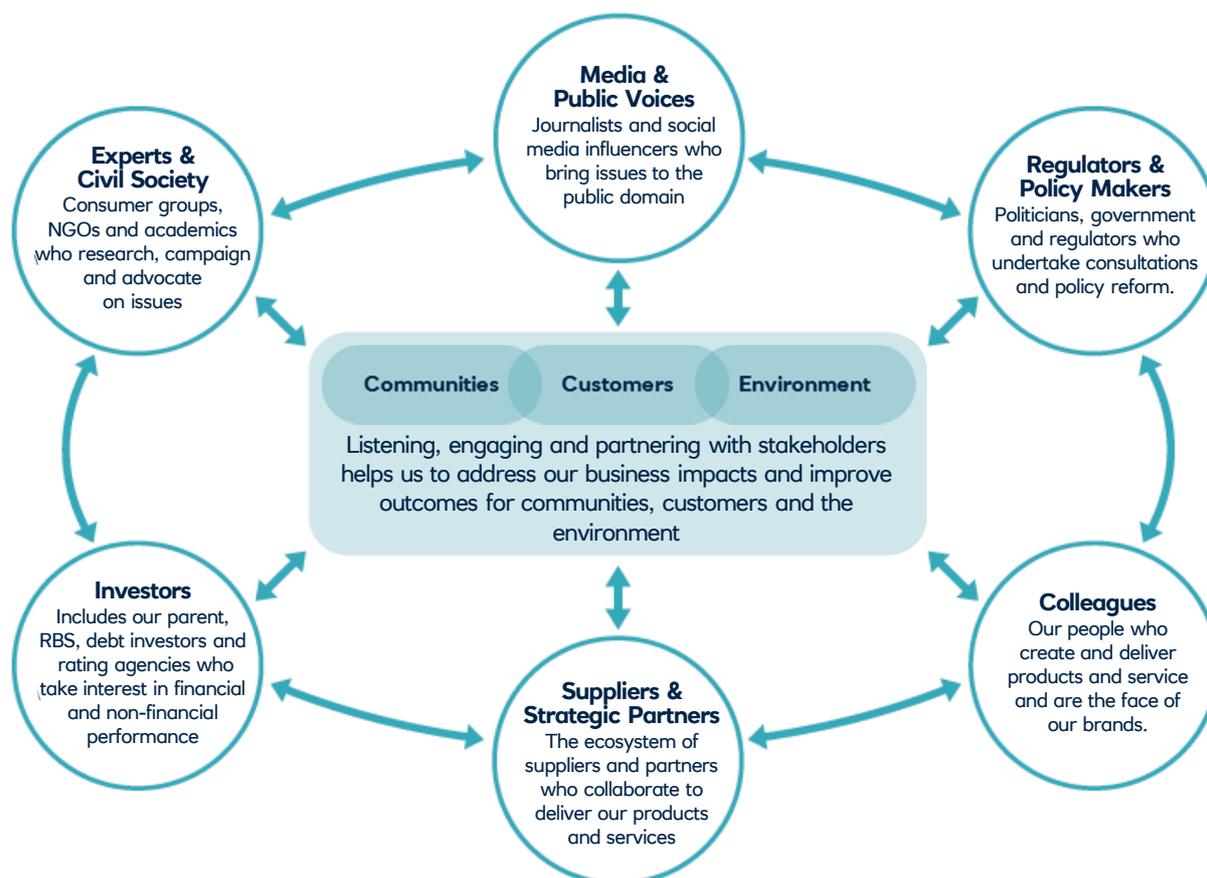
Working together

We care for each other and work best as one team.

We bring the best of ourselves to work and support one another to realise our potential.



Stakeholder engagement



Through continuous engagement and two-way dialogue with a broad range of stakeholders, we make informed decisions that strengthen our ongoing business strategy.

Ulster Bank engages with a number of industry representative bodies, including the Small Firms Association (SFA), Irish SME Association (ISME), Banking & Payments Federation Ireland (BPF), Irish Business and Employers Confederation (IBEC), the British Irish Chamber of Commerce and the Dublin Chamber of Commerce.

We are committed to helping our customers and colleagues through the challenges and opportunities that the UK leaving the European Union potentially brings. As part of this, we ran a series of business roadshows around Ireland in partnership with the British Irish Chamber of Commerce to support our customers through Brexit.

In addition, our dedicated Brexit Hub, which is available on our website, includes frequently asked questions and practical guides to help during the transition period.

We continue to engage with the Banking & Payments Federation Ireland (BPF) alongside the other financial institutions across the country, collaborating across a number of areas for the benefit of our customers and the wider society.

We have a strong relationship with our parent, RBS Group, and we work closely with our counterparts across a number of areas of the business to benefit from their investment, experience and expertise.

The Irish Banking Culture Board (IBCB) was established in 2018 and is helping to ensure that the Irish banking industry is focused on the best interests of customers, colleagues and sustainable banking sector. Our CEO, Jane Howard, sits on the Board of IBCB, and colleagues from across the business are actively engaged in a number of the IBCB working groups, including Financial Education and Vulnerable Customers.

Our Customers

Our ambition is to build the best bank for customers, which champions their potential and treats them fairly

Our customer trust scores have remained strong in 2019 and we are continuing to deliver market-leading services for customers through our mobile banking app, which ended 2019 with an NPS of +49¹.

While we continue to see a positive NPS and trust scores with our SME customers, our NPS performance in Personal Banking has been impacted in 2019 as we align our personal current account fees with the rest of the Irish market. As we move into 2020 and embrace our new purpose-led strategy we are confident that our support for customers will be reflected in improved customer advocacy and trust scores.

Measuring Customer Advocacy

We track customer advocacy using the Net Promoter Score (NPS); a commonly used metric in banking and other industries across the world. This is measured through independent customer surveys in which customers are asked how likely they would be to recommend their bank to a friend or colleague, on a scale of 0-10, with a score of 10 being 'extremely likely' and 0 being 'extremely unlikely'.

NPS is calculated by taking the percentage of customers who are Promoters (9-10 ratings) and subtracting the percentage who are Detractors (0-6 ratings). We also use independent experts to measure our customers' trust in the Bank. Each quarter we ask customers to what extent they trust or distrust their bank to do the right thing. The score is a net measure of those customers that trust their bank (a lot or somewhat) minus those that distrust their bank (a lot or somewhat).

		2016	2017	2018	2019
Personal Banking	NPS ²	-7	-7	-6	-18
	Trust ³	36	28	41	41
Business Direct	NPS ⁴	na	-6	-24	-17
	Trust ⁵	na	59	50	54
SME Banking	NPS ⁶	8	9	5	5
	Trust ⁷	63	65	60	68

Notes

1. Source: Coyne Research, 2019. Latest base size: 288. Please indicate to what extent you would be likely to recommend the Ulster Bank app to your friends or family using a scale of 0 to 10, where 0 is not at all likely and 10 is extremely likely.
2. Source: Coyne Research, Q4 2019 (4 quarter rolling data), Latest base size: 1,424. Question: Please indicate to what extent you would be likely to recommend Ulster Bank, where primary current account held, to your friends or family using a scale of 0 to 10, where 0 is not at all likely and 10 is extremely likely.
3. Source: Coyne Research, Q4 2019 (4 quarter rolling data), Latest base size: 1,609. Measured as a net % of those that trust Ulster Bank to do the right thing, less those that do not.
4. Source: RED C Research, Business Direct Survey, Latest base size: 266. Question: On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'extremely likely', how likely would you be to recommend Ulster Bank to another business or colleague?
5. Source: RED C Research, Latest base size: 266. Measured as a net % of those that trust Ulster Bank to do the right thing, less those that do not.
6. Source: RED C Research, SME Survey, Latest base size: 247. Question: On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'extremely likely', how likely would you be to recommend Ulster Bank to another business or colleague.
7. Source: RED C Research, Latest base size: 247. Measured as a net % of those that trust Ulster Bank to do the right thing, less those that do not.

Becoming a digital-first bank

Our mobile banking app is market-leading* in terms of security, ease of login and overall ease of use. We are one of only two banks in Ireland offering fingerprint and face ID log-in, giving customers a more seamless and secure log-in experience.

New Mobile App upgrades in 2019

-  **Manage your debit card**
Lock and unlock your card if misplaced and tell us when you are going abroad.
-  **Savings goals**
Set up a savings goal and track your progress.
-  **Gambling controls**
Set a limit on the amount you spend on gambling or betting sites with your Visa credit card.
-  **Paperless documents**
Option to switch off paper correspondence and receive documents to your secure inbox, including:
 - Payment confirmations;
 - Fee & charges statements.

Key features of our app

-  **Personalise your app**
 - Change your personal log-in greeting
 - Edit your account nickname
 - Hide/unhide your balance
 - Let us know when you are going abroad
-  **Touch ID**
Finger print log-in for Android and iOS.
-  **All your accounts in one place**
See the balance of all your Ulster Bank accounts in app, including your mortgage, credit card and business accounts.
-  **Get Cash**
Withdraw money quickly from an Ulster Bank ATM without using your bank card (up to two withdrawals, total limit of €130, in 24 hours).
-  **Notifications**
Manage notifications such as:
 - Pre-advice of interest & charges;
 - New statement arrival;
 - Balance alerts.
-  **Standing orders**
View your standing orders and create new ones.
-  **Pay bills and other people**
 - Pay a bill or person from payee list
 - Send payments to new payees
 - Delete payees
 - Schedule future payments
 - Send/receive international payments
 - Enhanced fraud warnings
-  **Transactions at your fingertips**
 - 12 months transaction history
 - View by paid in and paid out
 - View within specific dates
 - Search for single transactions
-  **Apply for new accounts**
Apply for a loan, credit card, overdraft or savings account in app, with a pre-filled application.

70%

of our active customer base transact on digital channels

48%

of our active customer base uses our mobile app

42%

42% of mobile log-ins done using touch ID

200,000

payments are made in mobile each month.

450,000

transfers are completed in mobile every month.

*Based on Independent market research conducted in Q4 2019 by Coyne Research. The Ulster Bank mobile app has a NPS of +49.

Our Colleagues

Engaging our colleagues is critical to delivering on our strategy and ambition. Being better for our colleagues means we are better for our customers, and this makes us a better bank.



Building a more sustainable bank

Creating a Healthy Culture

Building a great place to work for our people is an essential component of creating a strong culture. We believe in developing our people and creating a culture where we are consistently living our values to ensure we act in the best interests of our customers, colleagues and stakeholders.

Through our wide range of colleague listening events, the prominence of our values and our significant investment in professional and personal development - including 10,451 hours of training, sponsorship of 224 Professional Qualifications and a new Coaching Mastery qualification - we are focused on creating a great place to work.

Building a culture where we act in the best interests of our customers, colleagues and stakeholders is one of our core priorities. We have clear goals to reinforce our values and set priorities each year to continue our progress on building a stronger culture.

We gather feedback from our colleagues through our employee engagement survey and other key performance indicators, which help us to assess our progress and respond accordingly. We do this along with feedback from our regulators and industry bodies.

Over 77% of our colleagues completed our most recent engagement survey. The positive results were maintained from September 2018, achieving a 2019 employee engagement score of 84. Ulster Bank continues to significantly outperform the Global Financial Services Norm (GFSN) in 11 out of 15 categories, including the key indicators of Employee Engagement Index, Leadership Index and My Manager.

When colleagues wish to report concerns relating to wrongdoing or misconduct they can raise these via Speak Up, the Bank's whistleblowing service. Our engagement survey has shown the highest ever score when asking colleagues if they feel safe to speak up, as well as understanding the process of how they do that. In 2019, 8 Speak Up cases were raised.

Performance and Reward

Our approach to performance management provides clarity for our colleagues about how their contribution links to our ambition - with all colleagues having goals set across a balanced scorecard of measures.

Our pay strategy aims to deliver a clear, simple and transparent pay policy which promotes the long term success of Ulster Bank and a culture where colleagues are rewarded for delivering sustained, long-term business performance.

Base salaries are reviewed annually and reflect individual performance in the previous year. A flexible benefit offering and pension funding is also available to all colleagues.

Developing Skills and Capabilities

There are five critical people capabilities that we have identified to help build the right knowledge, skills and behaviours to ensure that Ulster Bank is successful now and in the future. These are: Improver Innovator; Change Ready; Critical Thinker; Connected; and Trusted Advisor.

We have developed a Capability Checker to support our colleagues in identifying the capabilities most relevant to their current and future roles, aligning learning to those capabilities.

Over the next few years we will be investing in developing these capabilities across our workforce and aligning them to our behaviours, purpose and goals.

In 2019 our colleagues continued to participate in NextGen; a Group-wide talent development programme for high potential colleagues at managerial level. NextGen aims to help these individuals become future leaders of the Bank, with a number of Ulster Bank colleagues participating in the programme. All of the NextGen development opportunities align to the Critical People Capabilities, which help equip our people with the skills and behaviours the organisation needs to succeed. Our long-term success will come from having the right people, with the right capabilities, doing the right work. In 2019, we also launched Shine, our brand new talent development programme which is aimed at all levels up to and including our managers. Shine will give participants the opportunity to take ownership of their careers, and encounter new ideas and challenges that will develop and stretch their skills and capabilities.

Our Female Development programmes, Accelerate and Breakthrough, focus on supporting women to reach their full potential and manage their careers effectively. They support our aspiration to be fully gender balanced by 2030.

Our award winning Performance Excellence programmes represent 'our way' of doing the things that really matter. They are for every colleague, right across the Bank. Whether it is leading our people, providing great service, meeting the needs of customers or collaborating effectively, these programmes drive the behaviours, tools and techniques to help us be successful.



Building a culture of innovation

At Ulster Bank we are empowering our staff to innovate with a 'digital-first' mind-set to create future solutions for our customers.

Now in its second year, Ulster Bank's intrapreneurship programme, StartUp, aims to tap into the creative spirit of our people to solve customer problems like a start-up company would. Through our unique partnership with Dogpatch Labs, a technology start-up hub based in the heart of Dublin, staff are transported from their day-to-day roles and immersed in a start-up ecosystem that empowers them to think differently and solve problems in a customer-centric and agile way.

Determined to Lead (DtL) is our pan-bank leadership programme. It teaches the skills and techniques that enable people leaders to lead, manage and coach their people so they make positive behaviour changes and improve their performance. It covers both core and advanced techniques and includes a strong emphasis on practical application. 75% of our people leaders have completed level 2 of the Determined to Lead programme. A further 172 Leaders have completed level 3, with 50 leaders completing Coaching Mastery in 2019.

Service Excellence is our customer service programme. It teaches the Relationship Techniques and Core Service Behaviours that enable all our colleagues to provide a great service experience, every time, to customers and colleagues. In 2019 we focused on embedding level 2 of this programme.

Our Sales Excellence programme teaches the tools and techniques to enable those in sales roles to be the best at ethical, needs-based selling. It covers both core and advanced techniques that help to uncover the full financial needs and goals of customers and present compelling options on the ways we can help. Over 78% of relevant colleagues have already completed level 1 and 80% of all front line sales colleagues, sales specialists and sales leaders have completed level 2 of this programme.

Our StartUp programme is continuing to embed a culture of innovation and 'intrapreneurship' within Ulster Bank, in collaboration with RBS and DogPatch Labs in Dublin.

We also continue to support our future skills development with new professional qualifications and learning opportunities, including developing faster and more flexible ways of working through our agile sprints and scrum master accreditation programme.

Ulster Bank became the first Irish bank to receive the 'Business Working Responsibly' mark for the third time in the last quarter of 2019. The Business Working Responsibility Mark recognises our commitment to sustainable practices, including responsible workplace practices such as staff learning and development programmes.

Health and Wellbeing

Wellbeing remains a core part of making Ulster Bank a great place to work. Our Wellbeing plan for 2019 was delivered under four pillars; Mental, Physical, Social and Financial wellbeing.

Highlights of the year included: Festival of Learning; Woman's Health and Wellbeing; Mens Health and Wellbeing; Younger Persons Health and Wellbeing; Stress Awareness; Healthy U campaign; Mental Health Awareness week; Healthy Mind; and Financial Wellbeing.

Our 'Live Well, Being You' campaign is about helping our colleagues bring the best of themselves to work. We believe everyone should be able to be themselves at work and achieve a healthy life balance in a place where we support our colleagues wellbeing.



Ulster Bank was awarded IBECE's workplace wellness accreditation, The KeepWell Mark, in 2019. This accreditation is an evidence-based award that recognises employers for investing in workplace health and wellbeing. Ulster Bank are one of the first banks in Ireland to achieve the award since its launch in September 2017. The assessment process included a review of evidence, site visits, focus group feedback sessions and line management 1:1 meetings.

This accreditation reflects our strong focus on wellness initiatives. In 2019 these included talks on mental health, physical activities such as 'lunchtime mile' walks, cookery demonstrations, webinars and audios on financial wellbeing.

Human Rights and Modern Slavery

At Ulster Bank we are committed to our responsibilities to respect and uphold human rights across our business and sphere of influence.

You can find out more online at: <https://digital.ulsterbank.ie/globals/about-us/corporate-sustainability/about-sustainability.html>

Our approach covers our customers, our people and our suppliers.

Our Customers

Our relationship with our customers is governed by a wide range of risk considerations, including our Anti-Money Laundering (AML) and Environmental, Social, and Ethical (ESE) risk assessments on current and new customers, to consider whether any of their activities carry human rights infringements.

Our People

We are an equal opportunities employer. In addition to complying with all applicable Irish and EU employment laws, we have internal policies and tools in place such as Our Code, the Yes Check and Speak Up to support the Bank's recruitment process and create a great place to work for our people.

Our Suppliers

Our Supplier Code of Conduct (SCoC) continues to be a contractual requirement and we expect our suppliers to uphold the same values and commitments we have made on social and environmental impacts.

Inclusion

We are proud to be building an inclusive bank which is a great place for all colleagues to work.

Our Diversity and Inclusion strategy, along with Our Values, promotes diversity in all areas of recruitment and employment. The overall aim of our Diversity and Inclusion strategy is to provide an inclusive culture and environment in which all of our colleagues can bring the best of themselves to work.

Building a working environment where all our colleagues can develop to their full potential is important to us irrespective of their age, belief, disability, ethnic or national origin, gender, gender identity, marital or civil partnership status, political opinion, race, religion or sexual orientation.

We work to avoid limiting potential through bias, prejudice or discrimination. We recognise the beneficial contribution of a diverse mix of uniquely talented individuals for the delivery of great service to our diverse customer base.

Key principles of our Diversity and Inclusion Policy include that we attract, motivate and retain the best talent. We base the employment relationship on the principles of fairness, respect and inclusion.

We comply with local laws on equality and Our Code, which sets out the Bank's expected behaviours and standards of conduct, to build and develop an inclusive workforce – to understand and respond to our diverse customer base.

We also have Wellbeing plans and initiatives in place that support Inclusion, for example our Employee Assistance Programme and our Moments that Matter toolkits and guidelines.

Gender Balanced

At the end of 2019 our gender profile was 40% men and 60% women. As at 31 December 2019 we have 40% female representation at our Executive level and 35% at Senior Manager level. Our 2030 aim is to have a fully balanced workforce at all levels of the Bank.

Our positive action approach is helping us to improve the balance of women in senior roles.

Disability Smart

People with disabilities are always considered for employment and subsequent training, career development and promotion based on merit. If colleagues develop a disability, it is the Bank's policy, wherever possible, to keep individuals in their existing jobs or to re-deploy them into suitable alternative duties, making appropriate adjustments as necessary.

Our disability plan addresses areas for improvement including branch access, accessible services and improving colleague adjustment processes.

Ethnically Diverse

Our overall desired outcome is to attract a diverse pool of candidates, which will help us gain an improvement in our ethnic diversity. We also aim to raise awareness amongst our employees of what it means to be ethnically diverse.

LGBT Innovative

Our LGBT agenda continues to deliver a better experience for our LGBT colleagues and customers. We have processes in place to support updating gender and title on customer bank records and to support colleagues undergoing gender transition.

The 2019 Pride season has seen our biggest attendance ever – supporting and celebrating Pride with customers and colleagues across Ireland, showing our support to our LGBT colleagues and customers.

In June 2019, we launched a nationwide fundraiser in support of BeLonG To Youth Services, the organisation which works with lesbian, gay, bisexual, transgender and intersex (LGBTI+) people in Ireland. We commissioned special pride-themed Henri Rainbow pins, as part of our Dublin LGBTQ Pride activities, which were sold in all our branches and head offices around the country. 100% of the proceeds from the sale of the pins were donated to BeLonG To Youth Services.

Inclusive culture

In 2019 we continued to roll out unconscious bias learning to all our colleagues, supplemented with wider inclusion and diversity learning, to create a solid platform for the wider inclusion agenda.

98% of colleagues have now participated in unconscious bias learning since it was introduced in 2016.

We also continue to support our colleague-led networks and have flexible working practices in place across the organisation.

2019 Gender profile

	Men	Women
Board member	62.5%	37.5%
Executive & attendees	60%	40%
Senior Manager	65%	35%
Manager	53%	47%
Appointed	44%	56%
Clerical	23%	77%

Powering renewable energy in Co Mayo

Ulster Bank continued our long-standing relationship with Irish renewable energy company, Ecopower in 2019, providing project finance for their new windfarm at Derrynadivva, outside Castlebar, in Co Mayo.

The construction of this renewable energy project engaged 28 personnel from civil, electrical, project management, environmental and Health & Safety companies in Mayo and the Western Region. The operating project will employ three Operations & Maintenance personnel and boost the long term income of 14 local landowners.

The new windfarm will provide 19,000MWh of clean, green electricity every year, which is enough to power 3,000 homes in Mayo and will contribute to the Irish Government's ambition to move to 70% renewable electricity by 2020.

"There are now 35 wind turbines operating at the Raheen Barr / Derrynadivva wind farm site. The turbines were constructed in three separate developments since 2003 and Ulster Bank have been involved in financing these developments from the beginning, demonstrating the Bank's commitment to national and international actions on climate change through developing Ireland's abundant wind resource."

Pat Brett, Ecopower

Climate-related financial disclosures

Climate change is a significant global issue and we understand the importance of the role we have to play in mitigating harmful emissions and helping to protect the environment

We recognise that climate change is a critical global issue that represents both financial risks and opportunities for our customers, employees, suppliers, partners and us as an organisation.

Ulster Bank supports the overall objectives of the Paris Climate Agreement and environmental ambitions set by the Irish Government, along with those of our parent, RBS.

We take our environmental responsibilities seriously and continually review our operations to lessen our impact on the environment. This has included reducing our operational emissions by 49% since 2014 and becoming the first bank in Ireland to achieve Zero Waste to Landfill accreditation in 2019.

During 2019 we made a number of substantial commitments in this regard, including becoming:

- A founding signatory of the UN Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking, through our parent, RBS;
- Jointly, the first company globally to commit to all three of the Climate Group's initiatives on electric vehicles (EV100), renewable energy (RE100) and energy productivity (EP100).

We are also signed up to the following external climate change commitments.

Equator Principles

As a subsidiary of RBS, Ulster Bank have signed up to the Equator Principles (EPs) – a risk management framework for determining, assessing and managing environmental and social risk in projects, which provides a minimum standard for due diligence and monitoring to support responsible risk decision-making. We will not provide project finance to borrowers who cannot comply with the EPs.

BITC Low Carbon Pledge

Ulster Bank has also signed the Low Carbon Pledge with Business in the Community Ireland, setting us a target of reducing our Scope 1 and Scope 2 greenhouse gas emission intensity by 50% by 2030. This pledge is aligned with the RBS bank-wide commitment to reduce the environmental impact of serving our customers, which targets four key areas: carbon emissions, waste generation, water and paper use.

UN Environment Programme (UNEP) Principles for Responsible Banking

In 2019, RBS Group, including Ulster Bank, became one of the Founding Signatories of the UNEP Principles for Responsible Banking, committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change. The six principles provide the framework for a sustainable banking system and help the industry to demonstrate how it makes a positive contribution to society.

Strategy

Climate, and the role we can play in accelerating the transition to a low carbon economy, is one of three key focus areas we have identified as part of our new Purpose-led strategy. Our ambition is to be the leading bank in Ireland helping to address the climate challenge by making our own operations net carbon zero in 2020 and climate positive by 2025, and by driving material reductions in the climate impact of our financing activity. We are setting ourselves the challenge to at least halve the climate impact of our financing activity by 2030, and intend to do what is necessary to achieve alignment with the Paris Agreement.

As we move into 2020 we are working to support our customers' ambitions to lower their emissions, save energy and reduce costs, building on our many years experience supporting the renewable energy sector in Ireland. This will include helping our mortgage customers to improve the energy efficiency of their homes and incentivise purchasing of the most energy efficient properties – with an ambition for 50% of our mortgage book to have a Building Energy Rating (BER) of C or above by 2030, helping to support the Irish Government's Climate Action Plan.

Climate related financial disclosures

We are committed to developing our disclosures in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.



Energy lending policies

As part of RBS Group, we have strict energy lending policies, meaning Ulster Bank in Ireland will not provide project-specific finance to:

- New coal fired power stations
- New thermal coal mines
- Oil sands projects
- Arctic oil projects
- Unsustainable vegetation or peatland clearance projects

We will also not provide finance to:

- Mining companies generating more than 40% of their revenues from thermal coal (a reduction from 65%).
- Power companies generating more than 40% of their electricity from coal (a reduction from 65%).

Governance

It is recognised that climate change, including the associated financial risks, must have greater prominence at both senior management and board levels across the Bank. Board and Executive-level activity in 2019 focused on increasing the knowledge and understanding of the financial risks and strategic opportunities associated with climate change. Areas of future development include establishing a climate risk operating model to support Board-level reporting, risk appetite integration and strategic delivery.

Risk management

Climate risk was classified as a top risk in 2019 and we are working to integrate climate related financial risks into our core risk frameworks.

At Ulster Bank, climate risk management builds upon established Environmental, Social, Ethical (ESE) Risk Management sector policies. All credit approvals are subject to these ESE policies which restrict exposures to high carbon emitting subsectors including mining and energy for example.

As we move into 2020 we will be assessing the potential financial impact of climate change on our residential mortgage portfolio, with a focus on flood risk from a physical risk perspective and energy efficiency (BER), from a transitional risk perspective. We will be leveraging the experience and expertise of our parent in the UK and using established methodologies and data from third party providers to establish a property level view of our Irish mortgage book.

Factors to be considered from a flood risk assessment perspective include surface flooding, river, ground water and coastal flooding on a range of scenarios.

In wholesale credit portfolios we will be working to embed consideration of climate change risks into our sector framework, which forms the basis for the Bank’s risk appetite to sectors, initially on a qualitative basis, with quantitative analysis, initially of flood and BER related risk in our Commercial Real Estate portfolio developed using applicable methodologies from the assessment of our retail mortgage portfolio. Work to further embed climate change risk considerations within risk frameworks will be underpinned by bank-wide training and education programmes for staff.

We will also be undertaking climate scenario analysis across our main lending portfolio; developing scenarios using a combination of reputable sources and internal analysis. We recognise this is a fast evolving space and will be continually reviewing and updating our approach, scenarios and assumptions as best practice emerges.

Operational footprint

Since 2014 we have reduced our operational GHG emissions (Scopes 1 & 2) by 49%, exceeding the RBS Group’s Science Based Target of 45% by 2020.

We have also halved our energy consumption over the same period – purchasing 100% of our energy from renewable energy sources, in line with our RE100 commitment.

Greenhouse Gas (GHG) Emissions	2014 (Baseline)	2018	2019
Location-based CO2e emissions	8,907	5,097	4,552
Scope 1* CO2e emissions (tonnes)	1,039	947	1,111
Scope 2** Location-based CO2e emissions (tonnes)	7,868	4,150	3,441
Location-based CO2e emissions per FTE (Scope 1, 2 & business travel) (tonnes)	1.41	2.04	1.83
Total energy use (GWh)	22.21	13.3	11.6

Since 2014 we have reduced our operational GHG emissions (Scopes 1 & 2) by 49%, exceeding the RBS Group’s Science Based Target of 45% by 2020.

Our reporting year runs from October 2018 to September 2019. The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control. *Scope 1 Emissions from fluorinated gas losses and fuel combustion in UBIDAC premises/vehicles, **Scope 2 Emissions from electricity, district heating and cooling used in RBS premises. To our knowledge there are no material omissions. Independent limited assurance of total reported emissions in tonnes of CO2e, (Scope 1 and 2) has been provided by Ernst & Young LLP. Emissions factors used are from UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting (Department for Business, Energy & Industrial Strategy, 2019), CO2 Emissions from Fuel Combustion (International Energy Agency, 2018) or from relevant local authorities as required.

Building a more sustainable bank

Increasing our ambition to become climate positive by 2025

Along with our parent, RBS, we have set ambitious new goals to continue our decarbonisation, aiming to be climate positive by 2025 for our own operations. This will be achieved through a combination of emissions reductions in line with a 1.5°C science-based target and carbon offsetting. Whilst we understand offsetting isn't the long term solution, we feel that it is the best way to mitigate our impact whilst we focus on eliminating our emissions at source.

In order to take our emissions to net zero in 2020 we will offset all Scope 1, 2 and 3 (business travel) emissions from our own operations through the purchase of internationally recognised carbon credits.

We will maintain this level of offsetting and simultaneously reduce emissions from our own operations by a further 25% by 2025 from our 2019 baseline, so that we offset more carbon than we emit. This will move us beyond net zero to become climate positive.

We will also place more focus on our value chain, maintaining our Zero Waste to Landfill accreditation, eliminating unnecessary single-use plastics, and reducing waste by 20% by 2025.

These goals have been set in alignment with the United Nations Sustainable Development Goals (UN SDGs) and circular economy approach.

RBS, including Ulster Bank, was jointly the first company globally to commit to all three of the Climate Group's initiatives pledging to:

- Use only renewable electricity in our direct global operations by 2025 (RE100).
- Install electric vehicle charging infrastructure in more than 600 spaces across our UK & Irish portfolio by 2030 (EV100).
- Upgrade our job car fleet of around 300 vehicles to electric models by 2025 (EV100).
- Reduce our energy consumption 40% by 2025 against its 2015 baseline (EP100).

The table below details RBS Group's 2025 environmental targets:

Climate Action		Partnerships	
 We will become climate positive by 2025 for our own direct operations		 We will increase engagement and support from employee and suppliers to improve performance.	
Targets			
 Achieve net zero carbon by 2020. Reduce energy in line with a 1.5°C science-base target. Reduce business travel.	 Reduce waste to 3kg per week per FTE by 2025 through prevention, reduction, reuse and recycling.	Employees	Suppliers
 RE 100 commitment – Use renewable electricity across our global operations.	 Maintain Zero Waste to Landfill accreditation across UK & Ireland	 Support all employees to adopt environmentally friendly activities at work, home and in their communities.	 By 2022 quantify impact of supplier activities and create a supplier engagement framework.
 EV 100 commitment – Transition all company-owned cars to electric. 15% of spaces in core offices to be charging points by 2025.	 Eliminate single-use plastics from our buildings.	 Support all employees to reduce emissions from commuting and driving.	 By 2025 work with suppliers to innovate collaboratively.
 Increase Scope 3 reporting to include further categories.	 Reduce our paper consumption by 70% against the 2015 baseline, to drive improvement and retain existing progress.		

Risk overview

Prudent risk management is central to the successful delivery of the Ulster Bank strategy.

A strong culture, including a risk culture, in the Bank helps the achievement of strategic goals with the right behaviours, supported by a sustainable Risk Management Framework (RMF).

The RMF is one of four Board approved Frameworks that form the pillars of the Bank's approach to risk management and controls, the other three being the Policy Management Framework (PMF), the Compliance Risk Framework (CRF) and the Risk Appetite Framework (RAF) (together the "Frameworks").

The Frameworks set out a structured approach to governance, risk management and compliance, the purpose of which is to support and inform the strategic objectives of Ulster Bank. The RMF facilitates an understanding of the risks the Bank faces both strategically and in its day to day business activities and explains how these are identified, measured, managed and reported to enable decision-making through all levels of the Bank, in line with our vision and goals.

The scope of these Frameworks extends across all business areas, including internal control functions, and across all relevant financial and non-financial risks, to enable the Board and Executive Management to make fully informed decisions on risk taking. Effective use of the Frameworks contributes to, and is a strong indicator of a robust risk culture.

The Frameworks set out the risk strategy of the Bank, how we set risk appetite, the policies, processes, limits and controls. This ensures adequate, timely and continuous identification, measurement, monitoring, management and reporting of risks at the business level and overall.

Risk Management

Decisions relating to risk management are controlled through the governance structure of the Group. This includes the structure of Board and Executive committees, their roles and responsibilities for risk and compliance management, and governance.

The Group uses the Three Lines of Defence model to discharge accountabilities and responsibilities for managing risk across the Group, in line with industry practice.

Ulster Bank's business strategy is informed and shaped by an understanding of the risk landscape in which it operates. It is built around being an Irish retail and commercial bank with low risk appetite, in support of which the Bank articulates a risk strategy to ensure that the business strategy can be delivered in a safe and controlled manner.

Successful implementation of the RMF and its component parts depends on our colleagues understanding their accountabilities and discharging their risk management responsibilities in line with the RMF's requirements and their role in the Three Lines of Defence. Ulster Bank's Remuneration Policy sets out expectations of colleagues and how they are rewarded for managing risk well, in line with the behaviours the Bank expects. These behaviours are communicated to colleagues through the Critical People Capabilities. The European Banking Authority (EBA) Guidelines on Internal Governance require banks to promote sound and effective risk management through their remuneration policies and practices.

Risk Appetite

Risk appetite, which is supported by a robust set of principles, policies and practices, defines levels of tolerance for a variety of risks. It is a key element of our RMF and culture, providing a structured approach to risk-taking, within agreed boundaries. Risk appetite is defined by the type and level of risk the Bank is willing to accept in pursuing its strategic objectives and business plans.

Our Risk Appetite Mandatory Procedures require that the annual process of reviewing risk appetite must be completed by the Risk Appetite Statement (RAS) owner alongside the business and financial planning process to ensure risk appetite remains appropriate to the levels of risk expected across the planning horizon.

If the business plan takes the Bank's risk profile outside of approved risk appetite, then the RAS owner must consider if a change in strategy or a change in risk appetite is appropriate (subject to Board approval); this is also considered against the Bank's risk capacity. Similarly, if the business plan takes the Bank's risk profile significantly within approved risk appetite, then the RAS owner must decide whether more risk

should be taken or if a change in risk appetite is appropriate.

Risk and Compliance Culture

All colleagues are responsible for the management of risk. Ulster Bank requires colleagues to exhibit behaviours that support a sound risk and compliance culture, where risk is part of the way colleagues behave and think. These behaviours are driven by the Board and Senior Leadership Team through Tone from the Top, Effective Communication & Challenge, Accountability and Motivation. These key behaviours are strongly aligned to our values of 'serving customers', 'working together', 'doing the right thing' and 'thinking long term'. We have aligned our approach to conduct risk to the Consumer Protection Risk Assessment Framework.

The components of the RMF flow through the Bank's governance in an annual cycle, which ensures that agreed risk appetite is taken into account in setting business strategy allowing for the types of risk the Group is likely to face.

Brexit

Hard forms of Brexit continue to be one of the main external risks, with the outcome of negotiations to determine the UK and EU's future relationship still uncertain. The transition period is currently due to expire on 31 December 2020.

The direct and indirect effects of the UK's exit from the EU are expected to affect many aspects of the Bank's business and operating environment, which may be material and/or cause a near-term impact on impairment. The longer term effects of Brexit on our operating environment will depend significantly on the terms of the ongoing relationship between the UK and EU and are difficult to predict.

Ulster Bank continues to assess the potential impact of possible Brexit related severe stress outcomes across its business, including capital adequacy and liquidity/funding adequacy assessments under the ICAAP and ILAAP process. Monitoring of loan performance remains elevated, with comprehensive early warning triggers in place. Sector specific risk appetite is assessed on a continual basis.

Risk management and governance

Operational readiness and continuity has been delivered under the Bank's Brexit programme and we continue to actively support preparations by our customers. One of our key initiatives has been to ensure continuity of payment services. The RBS Group has obtained the requisite regulatory permissions (including third country licence branch approvals and access to TARGET2 clearing and settlement mechanisms) that it currently considers are required for continuity of the Bank's business as a result of the UK's departure from the EU.

Cyber Security

In an increasingly digital landscape across the industry, cyber security continues to be a priority issue in 2020. Ulster Bank is fully incorporated within the RBS multi-layered defence approach, which continues to respond as the external threat evolves. The RBS Response & Recovery team is responsible for supporting all business franchises, including Ulster Bank, with impending threats and security incidents.

The Ulster Bank Cyber & Information Security team works closely with the RBS Response & Recovery team and the rest of Security, through the Bank's Threat Management Response process, to utilise the skills and knowledge available. This ensures the best possible support is provided to all areas of the Bank.

Financial Crime

Financial crime, including Anti Money Laundering, Countering Financing of Terrorism (AML/CFT), Sanctions, Anti Bribery and Corruption (ABC) and Anti Tax Evasion (ATE), continued to be a key area of focus for Ulster Bank during 2019. The Bank continues to closely monitor the external environment for matters that could impact our exposure and ability to fight financial crime, prevent the banking system being used by criminals or terrorists and create a hostile environment for such parties.

Improvements continue to be made to the Financial Crime control environment and the overall risk appetite position for Financial Crime, while progress was evident during 2019 further work is required.

Work continues to close out residual matters in respect of the Fourth Money Laundering Directive, which was transposed into law in Ireland by the Criminal Justice Act (CJA) 2018. Preparations are underway for the implementation of the Fifth Money Laundering Directive that is expected to be transposed into law in H1 2020.

Work was ongoing on Customer Due Diligence standards throughout the year and extensive remediation programmes in both Commercial and Personal Banking are now materially complete. As part of its plans, the Bank continues the journey in respect of a digital Banking proposition delivering an improved customer experience.

Ulster Bank takes seriously its obligations in respect of Sanctions, both in terms of Client and Payment screening and continued to make improvements to its operating and control environment during 2019. We remain committed to ensuring that Ulster Bank acts responsibly and ethically throughout all activities that are undertaken, both in its own right and where business is being undertaken on behalf of the Bank. Work continues on the policies, procedures and controls to improve the Control Environment and ensure compliance with the Criminal Justice (Corruption Offences) Act 2018, the key legislation in the Republic of Ireland.

In 2019 we launched our Bank-wide Anti Tax Evasion Policy, which recognises the offence of facilitating tax evasion. Further improvements were also made to the Bank's control environment.

Asset quality

Ulster Bank made good progress in 2019 delivering on the European Central Bank (ECB) supervisory expectation for banks to reduce non-performing loan (NPL) ratios – as well as delivering a full suite of sustainable debt solutions for our customers.

The Bank's non-performing loan ratio reduced from 11.3% at 31 December 2018 to 9.7% at 31 December 2019. The sale of a portfolio of non-performing loans with a gross value of c.€800m was also agreed during the financial year. The loans remain on the Bank's balance sheet at 31 December 2019, with the transaction due to be concluded in 2020.

Ulster Bank's capital and funding position remains strong, with two major credit rating agencies (Moody's and Standard & Poor's) upgrading the Bank's rating during the year. In December 2019 the Bank paid a dividend of €500m to NatWest Holdings.

Risk-weighted assets (RWAs)

RWAs reduced by €1.2bn, ending the year at €15.0bn (from €16.2bn in 2018). This reduction was driven by a loan sale, reducing non-performing exposures and improving portfolio credit metrics.

Common Equity Tier 1 ratio

CET1 ratio reduced by 100 basis points to 26.5% in 2019, remaining at a robust level following the dividend payment of €500m. The year end position remains well in excess of regulatory minimum and internal risk appetite levels.

Leverage ratios

Leverage ratio decreased by 205 basis points to 12.6% in 2019, reflecting lower capital resources post the dividend. The position remains significantly above the required minimum regulatory and risk appetite levels.

Stress testing

In our internal ICAAP Stress Test, Ulster Bank met its CET1 capital requirements under the hypothetical 'Brexit Extreme Out' adverse scenario. The Fully Loaded Basel 3 (FLB3) CET1 low-point stress capital ratio was 22.4% in 2022, at its lowest point – well above the Bank's proposed Stress CET1 Risk Appetite limit of 10.50%.

Liquidity and funding

Ulster Bank maintained a robust liquidity and funding risk profile in 2019. This is evidenced by regulatory Liquidity Coverage Ratio (LCR) of 181% at the end of 2019, down from 191% in 2018, and a liquidity buffer sufficient to withstand outflows from severe internal stress scenarios over a range of time horizons. The Bank's loan-to-deposit ratio was 98% at the end of 2019, down from 105% in 2018. We also benefitted from €600m Minimum Requirement for own funds and Eligible Liabilities (MREL) funding in December 2019.

Top and Emerging Risks

Ulster Bank employs a continuous process for identifying and managing its top and emerging risks. These are risks that could have a significant negative impact on the bank's ability to operate or meet its strategic objectives.

Risk	
Political and Economic Risk	Ulster Bank remains vulnerable to changes and uncertainty in the external economic and political environment. Whilst the domestic economic environment remains positive against most indicators, continued vigilance is required as Ireland's open economy is susceptible to Eurozone, Brexit and global shocks. Stress testing and scenario planning are used within the Bank to inform strategic planning and risk mitigation.
Failure to Grow	The prolonged low interest rate environment could impact on Ulster Banks' margins, undermining overall profitability and financial strength. Mitigants include heightened focus on cost reductions and simplifying processes to give a better service.
Regulatory & Compliance Risk	Ulster Bank continues to face stringent regulatory and supervisory requirements and persists in embedding a strong risk and compliance culture. Ulster Bank continues to engage with regulators to implement new regulation effectively to ensure future compliance. Ulster Bank has enhanced and improved its controls, and monitors the competitive and regulatory environment to meet customer needs. Progress has been made in resolving legacy issues. Ulster Bank strives to achieve the right outcome and fair treatment for customers.
Cyber Attack and Technology and Service Interruption Risk	<p>Cyber attacks continue to evolve in frequency, sophistication and severity. Ulster Bank is fully incorporated within the RBS multi-layered defence approach which continues to respond as the external threat evolves.</p> <p>An investment programme has significantly improved the resilience and sustainability of the Bank's IT systems. Further progress is expected as the Bank continues to simplify and modernise infrastructure and applications.</p>
People and Culture Risk	<p>Ulster Bank has plans in place to support the retention of key staff and in succession planning with wider programmes available to support engagement and training for all employees.</p> <p>Building a healthy culture remains a priority and a multi-year programme focused on enhancing culture, including risk culture, is ongoing. Ulster Bank is participating fully with the Irish Banking Culture Board and its programme of work.</p>
Outsourcing Risk	Inadequate control over selection, governance and oversight of third-party suppliers could affect operational resilience. Ulster Bank is diligent in its screening of suppliers with strict contractual obligations governing supplier relationships and activity.
Data Management	Ineffective management of data, including a breach in data privacy, could have material negative impacts. Data strategy and planned activity aims to ensure the organisation has the capabilities to continue on its journey to become a data driven organisation with adherence to BCBS 239 regulation.
Control Environment	Continued focus on strengthening and maintaining an improved control environment via effective management of material risk, mature risk and compliance frameworks and effective change management and systematic risk culture.
Climate Change – Related Financial Risks	Accelerating climate change may lead to heightened financial risks and faster than anticipated impacts on Ulster Bank and the wider economy. Ulster Bank continues to adapt its operation and business strategy to mitigate the risks of both climate change and the transition to a low carbon economy.

Governance at a glance

The Board has eight directors comprising the Chairman, two executive directors and five independent non-executive directors.

Our Board

Board of directors

Chairman

Des O'Shea

Executive directors

Jane Howard
Paul Stanley

Independent non-executive directors

Dermot Browne
William Holmes
Martin Murphy
Rosemary Quinlan
Gervaise Slowey

Company secretary

Andrew Nicholson

Board changes in 2020

Helen Grimshaw (non-executive director) resigned on 15 January 2020

The Board is collectively responsible for the long-term success of Ulster Bank Ireland DAC and delivery of sustainable shareholder value. The Board's role is to provide leadership of Ulster Bank within a framework of prudent and effective controls, which enables risks to be assessed and managed.

Our Board committees

In order to provide effective oversight and leadership, the Board has established a number of Board committees with particular responsibilities. Board and Executive Committees with delegation from the Board are outlined below.

Audit Committee

Assists the Board in discharging its responsibilities for the disclosure of the financial affairs of the Group. It reviews the accounting policies, financial reporting and regulatory compliance practices of the Bank, our systems and standards of internal controls, and monitors the Bank's processes for internal audit and external audit. This committee comprises of at least three members who are all non-executive directors, with a majority of independent non-executive directors.

Board Risk Committee

Provides oversight and advice to the Board on current and potential future risk exposures of the Bank and risk strategy. It reviews the Bank's performance on risk appetite and oversees the operation of the Group Policy Framework. This committee comprises of at least three members who are all non-executive directors, with a majority of independent non-executive directors.

Sustainable Banking Committee

Provides support to the Board in overseeing, supporting and challenging actions being taken by management to run the Bank as a sustainable customer-centric business, capable of generating long term value for its stakeholders. This committee comprises of at least three members who are all non-executive directors, with a majority of independent non-executive directors.

Performance and Remuneration Committee

Advises the Board on remuneration matters. The committee comprises of at least three members who are all non-executive directors, with a majority of independent non-executive directors.

Nominations and Governance Committee

Assists the Board in the selection and appointment of directors and senior management. This committee comprises of at least three members who are all non-executive directors, with a majority of independent non-executive directors and is chaired by the Bank's Chairman.

Related Lending Party Committee

Responsible for approving lending to related parties, which is regulated under the CBI Code of Practice on Related Party Lending 2013. This committee comprises of at least three members, two of whom are independent non-executive Directors.

Executive Committee

Comprises the Bank's senior executives and supports the Chief Executive Officer in managing the Bank's businesses. It reviews strategic issues and initiatives, monitors financial performance and capital allocations.

Other committees

The Board may from time to time seek to establish ad hoc committees to address key areas of focus.

Two such committees were in place during 2019 – a Customer Remediation Committee, to focus on policy and remediation, and a Regulatory Oversight Committee, established to provide oversight and challenge on activities to address matters specified by the Board Risk Committee. Both committees comprised a mix of executive, non-executive and independent non-executive directors

2019 Performance Evaluation

In 2019 the Board and Committee evaluation process was conducted in-house by the Corporate Governance and Secretariat team and overseen by the Company Secretary.

