



Help for what matters

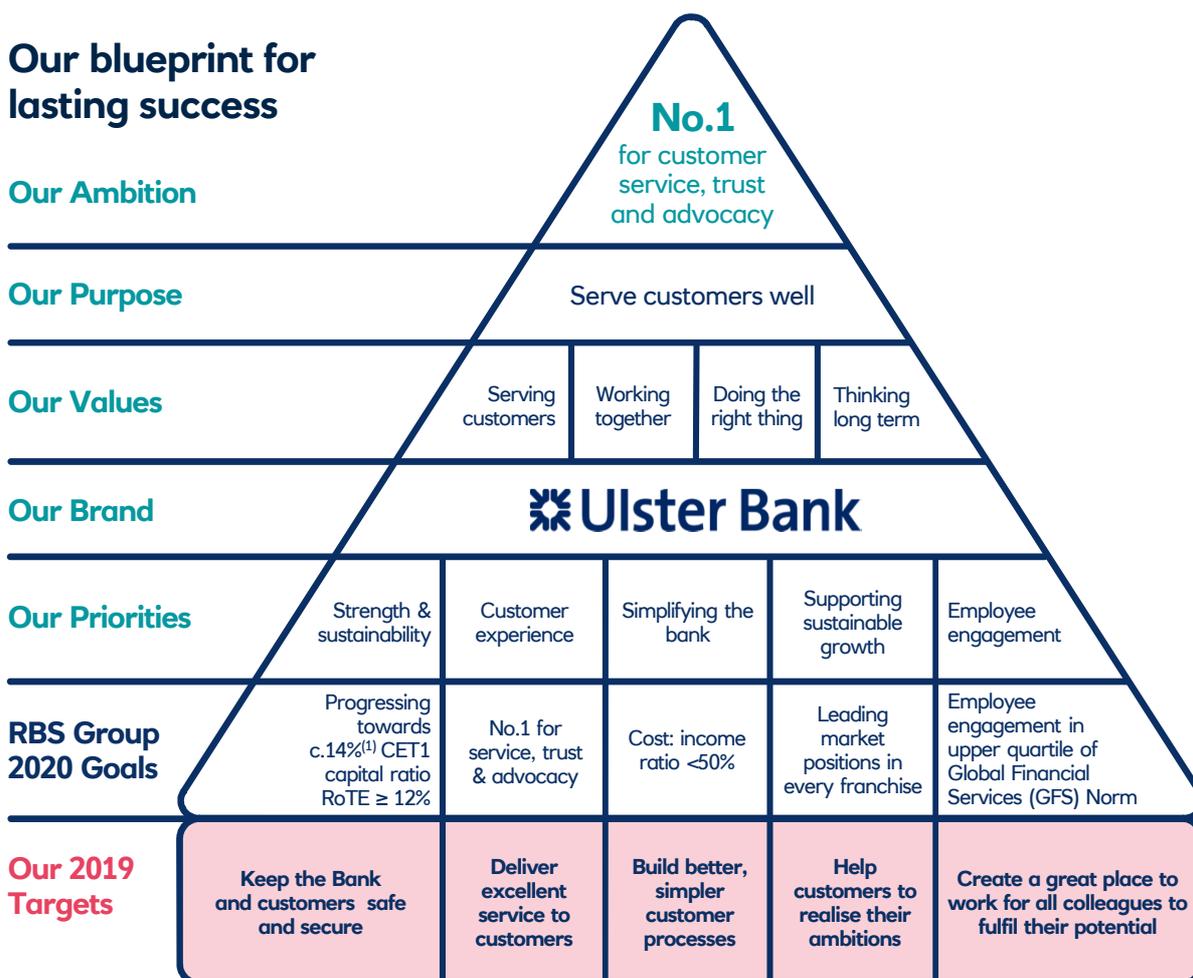
Strategic Report 2018

Ulster Bank Ireland DAC

Ulster Bank Ireland DAC (UBIDAC) is a financial services company headquartered in Dublin, which provides a comprehensive range of financial products and services to personal and business customers in the Republic of Ireland.

Our ambition is to be the number one bank in Ireland for customer service, trust and advocacy across the customer segments we serve. Our purpose is to serve customers well. We are building a simple, safe and more customer-focused bank – doing business in a way that aligns with our values and considers the longer term impacts of our decisions and actions. Underpinning this ambition is our blueprint for lasting success.

Our blueprint for lasting success



Notes
(1) c.14% at the end of 2021, previous target stated as >13%.

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.

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.

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.

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Approval of Strategic Report

The Strategic Report for the year ended 31 December 2018 was approved by the Board of directors on 12 April 2019.

By order of the Board.

Company Secretary
Andrew Nicholson

Chairman
Des O'Shea

Executive Directors
Jane Howard
Paul Stanley

Non-executive directors
Helen Grimshaw

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

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 2018 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.

2018 Highlights

A year of strong progress against our strategic priorities

Strength and sustainability

Operating profit / (loss) after tax



Conduct & litigation costs



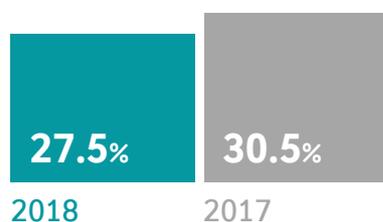
Income



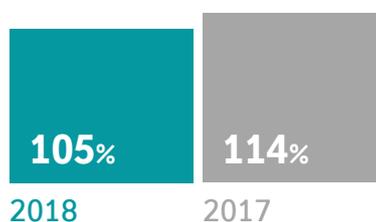
Net interest margin



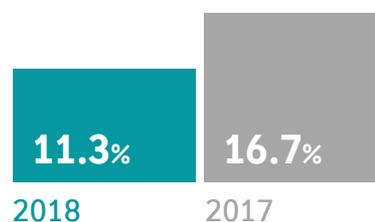
CET1 ratio



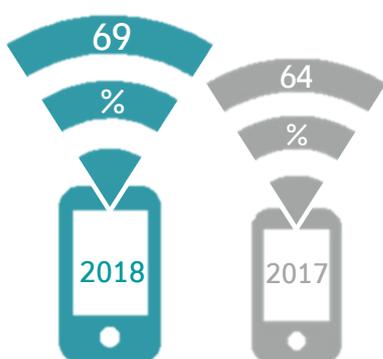
Loan-to-deposit ratio



Non-performing loan ratio



Customer experience



Digital transaction volumes (online and mobile) increased by 36% over 2018.



Market-leading Net Promoter Score of +58 for our mobile banking app



Over 40,000 Personal Financial Reviews were completed in 2018



Customers can now self-serve in over 60% of our branch network

Simplifying the bank



Supporting sustainable growth

Gross lending in our Personal Banking and Commercial Banking businesses



Gross new mortgage lending, helping our customers to buy or move home



Gross lending to business customers in the Republic of Ireland



 €50 million SME Brexit Loan Scheme launched in 2018

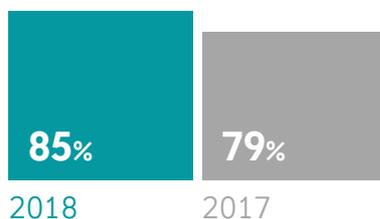
 €15 million made available to farmers via our Weather Agri Fund

 €1.4 billion of new lending to business customers

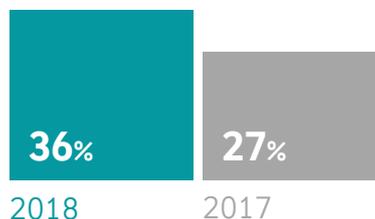
 Market-leading 2.3% two year fixed rate mortgage launched in June

Employee engagement

Employee engagement score



Female representation in our top management roles⁽²⁾



Charity fundraising

 Charitable and community investment donations in the Republic of Ireland totalling €262,308

Irish Banking Culture Board (IBCB)

 Top quartile in all areas of the 2018 IBCB Culture Survey, with strong scores in Openness and Accountability, Leadership and Customer Focus

Notes

(1) Includes staff costs, premises and equipment, other administrative expenses and depreciation and amortisation.

(2) Includes our Board member, Executive and Senior Manager population.



Chairman's statement

Des O'Shea
Chairman

The Bank's strategic ambition is straightforward. We want to be a low risk, safe and sustainable Irish retail and commercial bank, which is number one for customer service, trust and advocacy. To deliver this we are building a customer-focused culture, defined as "the way we do things – consistently living our values to act in the best interests of our customers, colleagues and stakeholders".

Our values of Serving Customers, Working Together, Doing the Right Thing and Thinking Long Term underpin our culture. By consistently living these values, providing simple transparent products and services, and leveraging the best of RBS innovation, scale and expertise we seek to build lasting relationships with our customers by meeting their needs and delivering value.

Following an extended period of deleveraging within Ulster Bank, and indeed across the wider Irish banking market, we are now seeing a broad-based return to growth in both our Personal and Commercial Banking loan books. Serving our customers better will help to optimise this growth opportunity.

Effective risk management will be a cornerstone of our future success. We need to be more operationally effective and continue to strengthen our control environment, which in turn will help to facilitate a better cost structure.

Swift completion of all remediation projects, including the Bank's Tracker Mortgage Examination cases, is a top priority for us in 2019 – together with achieving further reductions in our non-performing loans (NPLs). Similarly we will continue to retain strong capital and liquidity positions, appropriate to the size and risk appetite of the Bank.

We must also recognise, mitigate and prepare for risks and changes in our wider operating environment. Brexit is a key focus in this regard.

Our profitability today is still suppressed, but through the successful delivery of our strategy I am confident the Bank can generate returns that meet the expectations of our key stakeholders, including our shareholder, customers, colleagues and regulators.

Financial performance

In 2018 we recorded an operating profit of €85 million after tax. This represents a €247 million improvement compared to 2017, reflecting our increased income, significant €110 million reduction in Conduct and Litigation charges and lower impairments of €23 million (versus €68 million in 2017).

We also reduced our risk-weighted assets (RWAs) through improvements in the quality of our loan portfolios and reductions in NPLs. During 2018 we paid a €1.5 billion dividend to our shareholder, while maintaining a CET1 ratio of 27.5% (the highest amongst our Irish peer banks).

In 2018 we increased our deposit base by €1 billion, which further reduced our loan-to-deposit ratio to 105%. The Bank also raised €1 billion in funding from the sale of mortgaged backed bonds to international investors – the first such funding raised by the Bank since the financial crisis. The strength of the Bank's capital and funding was recognised by all three major rating agencies during the year – although I note the downgrade in early 2019 by Fitch due to uncertainty around Brexit and the impact this could have on our parent, RBS. Ulster Bank's Return on Equity in 2018 was disappointing, however significant progress has been made in a number of key areas, which

positions us well to deliver acceptable future returns in a safe and secure manner.

Putting the past behind us

Significant progress has been made during 2018 in remediating legacy conduct and other issues, including the Tracker Mortgage Examination (TME). As at 31 December 2018 over 85% of impacted TME customers had received redress and compensation. Payments are expected to be made to all remaining impacted customers by April 2019. Other ongoing remediation projects are expected to be substantially completed and payments made to impacted customers by the end of Q3 2019. Remaining legacy conduct issues are now managed under a single Accountable Executive to ensure that these are brought to an effective and timely conclusion for our customers. This facilitates an enhanced focus on our forward-looking customer agenda.

We also made good progress in delivering on the European Central Bank (ECB) supervisory expectation for banks to reduce non-performing loan ratios, with a reduction in our NPL ratio to 11.3% in 2018 (from 16.7% in 2017). Substantially, all of our NPLs relate to our mortgage portfolio and the reduction was achieved through a combination of mortgage customers returning to a performing status and the disposal of a €1 billion (gross value) portfolio of loans provided to mortgage customers who had failed to engage in a meaningful way.

In 2018 we expanded the suite of potential solutions for our mortgage customers in default. We also initiated a comprehensive, proactive programme to engage with customers who are not in a sustainable long-term arrangement to determine, based on their current

financial position, whether they qualify for and accept such an arrangement. This is a precursor to a possible further portfolio sale in 2019, which, allied to ongoing improvements in the performance of the portfolio, is expected to deliver further material reductions in our NPL ratio in 2019.

To operate effectively in an increasingly complex and challenging regulatory environment, the Bank invested heavily in enhancing and strengthening our governance, risk and compliance capabilities in 2018. We also continue to invest in the simplification of our processes and strengthening of our controls to make the Bank safer and more secure, and to enable us to better serve our customers. An example of this has been the end-to-end review of our mortgage customer journey, which has resulted in faster response times and an enhanced customer experience.

Supporting Customers

In 2018 the Bank continued to support both new and existing customers in our Personal and Commercial Banking businesses, with gross new lending totalling €2.7 billion. New mortgage lending increased by 13%, supported by a market-leading two year fixed rate of 2.3% and products designed to help first time buyers, such as our First Five offering.

More and more of our customers are choosing to transact online and via mobile, with 69% of the Bank's active current account customers classed as digitally active. We continued to invest in our people and branch network in 2018, particularly in areas of self service and automation, with customers now having the option to self-serve in over 60% of the Bank's branch network.

We also continued to invest in the Business Achievers network in 2018 – a free peer-to-peer digital platform with over 20,000 registered business owners throughout Ireland. Through this network users have the opportunity to share insights, generate collaboration and attract investment.

As a result of a number of instances of adverse weather conditions during 2018, €15 million was made available through the Bank's Weather Agri Fund to both existing and new customers to help support farmers and alleviate cash flow pressures.

Economy and Brexit

The Irish economy continues to perform strongly. Over the past year unemployment has declined further, ending 2018 at 5.8%. GDP growth in 2018 remained robust at 6.7%, while inflation continues to be muted.

The recent cooling in house price growth (6.4% in December 2018, annual percentage change) is also welcome. Despite this strong performance in 2018, the economic outlook has become less positive, with a slowdown in global growth and ongoing uncertainties around international trade and Brexit.

We continue to closely monitor the impact of the UK decision to leave the EU on the Bank and our customers, recognising the uncertainty and confusion that Brexit has created. Whilst there has been no material impact on the Bank to date, it is clear that Brexit risks are now elevated – with a 'no deal' remaining a realistic possibility. Even with a deal, we expect Brexit to have a negative impact across many sectors of the Irish economy, including agriculture and tourism. In particular, Irish SMEs exporting to the UK will face particular challenges.

A bank-wide Brexit response programme has been in place since 2016 to continuously assess and mitigate potential impacts and develop contingency plans under a number of different Brexit scenarios. Based on our contingency planning we have taken steps to ensure that the Bank's operations will not be impacted by Brexit. We also have a proactive communications strategy in place with our SME and corporate clients to ensure that we continue to serve them well in terms of funding and other needs during this challenging period.

Our Stakeholders

We maintain a very close, strong and effective relationship with RBS at multiple levels across Ulster Bank. The scale and strength of RBS is a key differentiator for us in terms of leveraging investment in products, technology, cyber security and other areas of expertise – with significant opportunity to further leverage these benefits. RBS is also a strong outsourcing partner, providing a broad range of services on an arm's length basis (subject to comprehensive oversight and control by Ulster Bank).

Our colleagues are a key strength and their commitment and capability to servicing our customers is critical to the Bank's success. By living Our Values and becoming a better bank for colleagues we become a better bank for our customers. We continue to invest in our colleagues professional development, wellness and technology to enhance their capabilities. We also seek regular colleague feedback, whose insights and views are an invaluable source of opportunities to make us a better and more responsive bank.

We recognise that the Tracker Mortgages Examination (and other issues requiring remediation) has harmed both our customers and our reputation. This has made us even more determined to achieve our ambition of becoming the number one bank in Ireland for customer service, trust and advocacy. We know from customer feedback that through the skill, enthusiasm and commitment of our colleagues, our customers are well served and I thank our people for their customer focus and professionalism.

Our regulators are also key stakeholders. They have been clear regarding their intention to be more intrusive and to continuously raise the bar for banks and other institutions – both from a prudential and conduct perspective. Our response is clear: we seek to comply with all legal and regulatory requirements and to develop effective, transparent and constructive relationships with our regulators.

Board changes

I was pleased to welcome five new Directors to the Board during 2018, who all bring a wealth and diversity of experience and expertise to the Bank. Dermot Browne, Richard Holmes and Gervaise Slowey joined the board as Independent Non-Executive Directors, with Helen Grimshaw joining as a Non-Executive Director, representing RBS. These appointments strengthen the Board's committee structure and overall governance of the Bank.

In September Jane Howard was also appointed as a new Board member and CEO of Ulster Bank. Jane brings with her more than 38 years experience at RBS in executive roles across Retail, Corporate, Operations and Risk Management. Jane's passion for our customers, energy and depth and breadth of experience has facilitated an immediate, positive impact in the Bank. Together these appointments have materially enhanced the strength of the Board. I would also like to express my deep appreciation to Rosemary Quinlan, Martin Murphy and Paul Stanley who served on the Board in 2018, at a time of significant change and challenge.

Conclusion

Overall, good progress was made in 2018 addressing a number of major legacy issues, which will enable us to have a more forward-looking strategic focus in 2019. As we look ahead, we have set ourselves ambitious targets in terms of delivering for our stakeholders. We want to better serve our customers and earn their trust, generate acceptable returns for our shareholder and continue to play a critical role in supporting the Irish economy.

Chief Executive's review

Jane Howard
Chief Executive



I am pleased to report that 2018 was a year of strong progress on our ambition to be the number one bank for customer service, trust and advocacy in our chosen customer segments. As I look back on my first six months I am very proud of what our colleagues across Ulster Bank have achieved to make our business simpler and easier for our customers to do business with us.

Our top five priorities allow us to align our activity with what our customers want from us as we build a simple, safe and more customer-focused bank, with the ambition to be the best bank for our customers. We have made good progress in this regard. Our definition of our culture is “the way we do things – consistently living our values to act in the best interests of our customers, colleagues and stakeholders”.

Our four core values – Serving Customers, Working Together, Doing the Right Thing and Thinking Long Term – guide our priorities, activities and decision-making. I am pleased to report solid progress over the last 12 months across our customer, operational and financial metrics, along with the continued execution of our strategy to transform the Bank – becoming more customer-centric, cost efficient and growing income sustainably across our chosen customer segments.

Customer experience

In 2018 we continued to focus on strengthening our digital propositions through upgrading our online and mobile capabilities. During the year we made it easier for customers to send us their documentation electronically and introduced new functionality to help customers manage their mortgage online enabling customers to, amongst

other things, access real-time balance information, manage their direct debit details and request a Certificate of Interest.

The continued development and optimisation of our digital offerings in 2018 were complemented by a more comprehensive geographical presence to meet customer needs across the country. We expanded our mortgage broker panel last year, with the intermediary channel generating 28% of new mortgage business in 2018. We also increased the number of Mobile Mortgage Managers across the country, offering flexible meeting times and locations chosen by our customers. Complementing our Mobile Mortgage Managers and fleet of five mobile banks, our team of Community Bankers visited and supported customers and community groups in towns – partnering with local branches to deliver ‘digital days’, covering the use of technology to make banking safer, easier and more convenient.

We also continued to invest in our branch network. This means our customers now have the option to self-serve in over 60% of our branch network, making it easier for them to do their everyday banking.

Building a better culture

We are committed to building a better culture that delivers brilliantly for our customers and provides a great place for our talent to thrive, always acting in the best interests of our customers, colleagues and stakeholders.

In 2018 the newly established Irish Banking Culture Board (IBCB) surveyed culture across all five of its member banks in the Republic of Ireland. Overall 59% of staff across the member banks participated in the survey, including

over 2,000 colleagues from Ulster Bank – making Ulster Bank the highest participating bank. The results from this survey confirm we are building a better culture and I am pleased to report that we ranked in the top quartile in all areas of the survey, with strong scores in Openness and Accountability, Leadership and Customer Focus. Whilst we have more work to do, the results of this survey give me confidence that we are heading in the right direction for our customers, colleagues and stakeholders.

Keeping customers safe

During 2018 we leveraged our parent’s partnership with UK National Trading Standards and launched ‘Friends against Scams’ training for colleagues, customers and the wider community here in Ireland. The purpose of this is to raise awareness of how our customers, family and friends can best protect themselves from becoming victim of a scam. To date over 1,800 of our colleagues have completed the training and customer education events have been held both in-branch and at external locations around the country.

In 2018 Ulster Bank, along with fellow member banks, also continued to support the Banking & Payments Federation Ireland’s (BPF) industry-wide initiative, ‘FraudSMART’, which provides fraud awareness advice online and via social media channels.

Innovation

We maintained our focus on innovation during 2018, with the introduction of technology upgrades in our Personal and Commercial Banking businesses. We also expanded our partnership with Dogpatch Labs, a leading co-working space for technology startups in Dublin. In addition to co-hosting a fourth annual Hackathon in 2018, which brought together members of the external tech

community to design and pitch innovative banking solutions, we also launched our new internal Ulster Bank intrapreneurship programme, StartUp, as a natural progression of our innovation strategy. We want to nurture the entrepreneurial talent and creativity that exists within the Bank to deliver innovative solutions, at pace, for our customers, through world-class mentoring and support in a live 'startup' environment.

2018 financial results

We reported an operating profit of €85 million after tax for 2018, representing a significant improvement over the Bank's 2017 results. This result was underpinned by an improvement across all of our key business metrics.

Our balance sheet continues to strengthen, with growth in new mortgage and commercial lending supported by a continued reduction in our non-performing loan ratios. Our net interest margin also improved to 1.77% in 2018, up from 1.64% in 2017.

Prudent management of our cost base and focus on simplifying the Bank has had a positive impact on our cost: income ratio as we continue on our journey to building a more sustainable bank. Our operating expenses decreased by 15% in 2018 to €603 million. The impact of charges in respect of legacy issues was again significant in 2018, but these were lower than in 2017.

Our focus on helping customers to own their first home, move or switch their mortgage contributed to new mortgage lending of €1.1 billion in 2018; an increase of 13% from 2017. This lending was driven by a strong uptake in our competitive fixed rates, available to all our customers, and unique first time buyer mortgage offering, First Five.

Our expert Commercial Banking teams continued to serve our business customers across multiple sectors, contributing to €1.4 billion in new lending in 2018. Growth in customer deposits also improved the Bank's loan-to-deposit ratio, which was 105% at the end of 2018.

Net interest income increased by 6% in 2018 to €500 million. This reflects our reduced funding costs and the improving quality of our asset mix, as well as a number of one-off benefits from our ECB funding operations and increases in our non-interest income, which increased from €138m in 2017 to €225 million (largely due to an increase in the mark-to-market income on interest rate swaps).

The impairment loss of €23 million in 2018 under IFRS 9 (in 2017 it was €68 million under IAS 39) primarily reflects the impact of the Bank's ongoing strategy to reduce non-performing loans towards normalised levels through external debt sales, with a focus on mortgages that are unsustainable and where additional forbearance will not bring a return to a performing position.

Our capital and funding positions remain strong. In 2018 we also paid another dividend of €1.5 billion to our parent, RBS. With the approval of our regulator we hope to make further dividend payments in the future.

In early 2019 we announced that we are changing the way we charge customers for our personal current account banking service. We are making these changes to ensure that our fees better reflect the cost of doing business today. This means we are increasing some charges and decreasing our monthly maintenance fee. I appreciate these changes may be difficult for some customers. Our colleagues are available to help our customers choose the best methods of banking for them.

Lending to business

Commercial Banking continued to support existing and new customers with new lending of €1.4 billion in 2018, matching the level achieved in 2017. New lending activity was particularly strong in the Large Corporate business where we are supporting growth across multiple sectors, including healthcare, agriculture, hospitality and Commercial Real Estate (within the Bank's risk appetite).

Our Lombard Asset Finance business generated in excess of €190 million of new lending in 2018; an increase of 40% over 2017. The business introduced the 'Adobe E-sign' platform in 2018, enabling customers to use a digital signature for their Lombard contracts, saving time and reducing paper use. Lombard also announced a partnership with Cars Ireland – the online car sales search engine. This partnership saw the integration of the Bank's consumer car finance offerings on a third-party channel for the first time, allowing customers to get real-time quotes as they search for their new vehicle.

Brexit

We recognise the impact that uncertainty over Brexit is having on businesses in Ireland. As a result, in continued partnership with the Strategic Banking Corporation of Ireland, a €50 million SME Brexit Loan Scheme was launched in 2018.

This scheme made term funding available to eligible customers to enable them to prepare for the potential impacts of Brexit.

We continue to monitor the impact of the UK decision to leave the EU on the Bank and our customers. There has been no material impact noted to date, however we are conscious of the potential for future impacts on the Bank, our customers and our operations. A bank-wide Brexit response programme has been mobilised to assess those impacts and develop contingencies under a number of Brexit scenarios to ensure that we can continue to serve our customers well.

Changes to our Executive Committee

A number of changes and new appointments were made to the Bank's Executive Committee in 2018. Fiona McMahon joined Ulster Bank as Director of Compliance. Ciarán Coyle was promoted to Managing Director of Personal Banking. Damien Daly joined the Bank as Director of Strategy, Innovation and Customer Experience. Derval McDonagh also joined us at the end of 2018 as our new Head of Human Resources, along with John Hennessy who was appointed Director of Risk. Paul Stanley was also made Deputy CEO, in addition to being CFO. These new appointments mean we have a strong and diverse executive team in place to lead the Bank forward.

Looking ahead

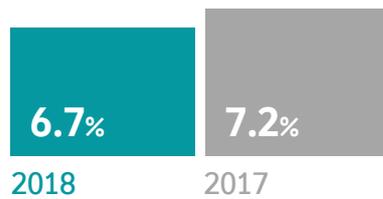
2019 is an exciting year as we look to the future, taking with us the lessons we have learned from the past. We will focus on achieving sustainable growth in our target markets, leveraging the best of RBS and managing our costs.

We are entering a new phase of transforming the Bank through technology innovation and end-to-end process re-engineering. Our future will be hi-tech and hi-touch, which means lower cost, high quality digital services – with human expertise available when required by our customers. Delivering on our top five priorities in 2019 will help us to achieve on our ambition to be number one in Ireland for customer service, trust and advocacy as we build a strong culture, with our customer at the heart of everything we do.

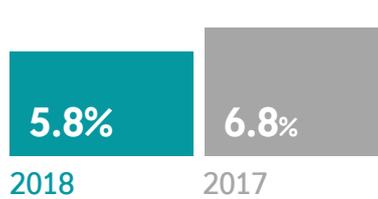
Our operating environment

Key economic indicators (Republic of Ireland)

Rol Gross Domestic Product Growth



Rol Unemployment Rate



Rol House Price Growth



The variables in the above charts are presented in annual average terms.

The economy

The Irish economy continued to experience very solid growth in 2018, albeit not quite at the pace suggested by the standard headline GDP and GNP aggregates (which were up 6.7% and 5.9% in 2018, respectively). Our analysis of alternative metrics, more plausibly representative of the Irish economy's true underlying growth performance, points to robust growth of around 4.75% – underscoring Ireland's position as one of the fastest growing economies in Europe.

The Irish labour market also continues to experience a healthy annual rate of job creation, with full-year growth at 2.9% in 2018.

This took the level of employment to a new all-time high of 2.28 million, some 35,000 (1.6%) above the pre-crisis peak. The strong uplift in employment has also pulled the unemployment rate down to a ten-year low in 2018.

Such labour market trends continue to exert upward pressure on wage growth. This in turn continues to provide important support for house prices, which continue to rise. However, house price growth is now moderating (10.2% average annual growth for 2018, but falling to 6.4% in December from 13.3% peak in April), with further moderation likely as the supply response continues to pick up.

Looking ahead, while global growth momentum has softened and economic uncertainty is high, the Irish economy is expected to continue to improve in the coming years – albeit at a much more moderate pace after several years of exceptional growth. Indeed, the balance of risks around the outlook is tilted to the downside. Brexit remains the key source of risk to the Irish outlook, but there are other important downside risks, including softening global growth and ongoing trade tensions. However, the Irish economy's medium-term growth potential is favourable and its solid momentum offers a helpful buffer against any possible future downturn or shock, including Brexit.

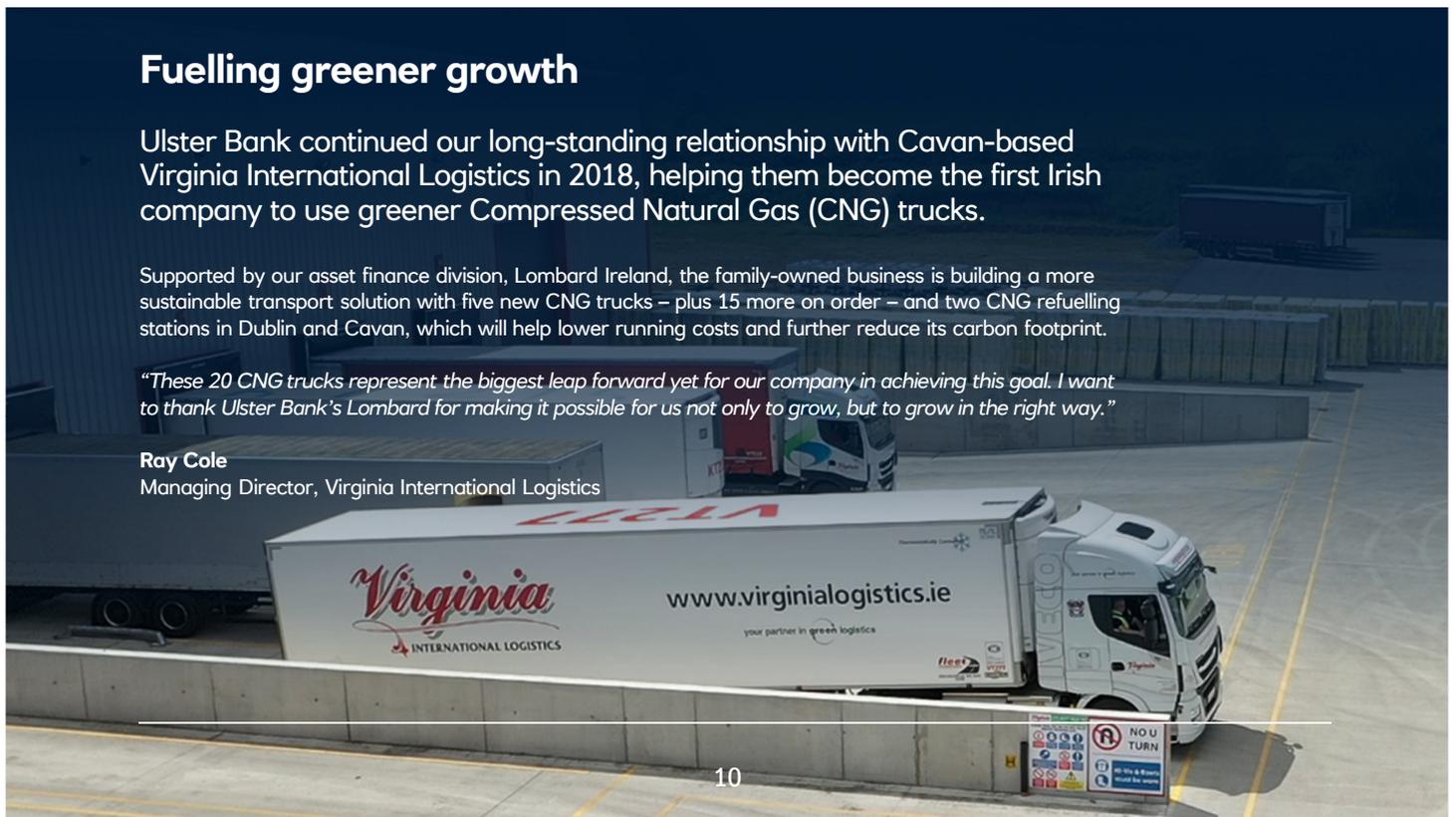
Fuelling greener growth

Ulster Bank continued our long-standing relationship with Cavan-based Virginia International Logistics in 2018, helping them become the first Irish company to use greener Compressed Natural Gas (CNG) trucks.

Supported by our asset finance division, Lombard Ireland, the family-owned business is building a more sustainable transport solution with five new CNG trucks – plus 15 more on order – and two CNG refuelling stations in Dublin and Cavan, which will help lower running costs and further reduce its carbon footprint.

“These 20 CNG trucks represent the biggest leap forward yet for our company in achieving this goal. I want to thank Ulster Bank's Lombard for making it possible for us not only to grow, but to grow in the right way.”

Ray Cole
Managing Director, Virginia International Logistics





Helping young people to be more financially aware

Through MoneySense, our flagship financial education programme for 5-18 year olds, we have helped over 82,000 young people in Ireland since 2015 to be more financially aware. This includes more than 48,000 in 2018 alone, supported by almost 400 volunteer hours from our colleagues.

Money management is an essential life skill that can be life-changing for individuals, as well as contributing positively to communities and wider society.

In a fast-changing, digital world it is important that young people have the skills, knowledge, and confidence to manage their money well. MoneySense goes beyond the basics of budgeting and saving, with curriculum-based lessons that also explore fraud and scams, the connection between unmanageable debt and negative emotions, along with the dangers of money muling.

Key influences in our operating environment

The environment in which we operate influences our ability to serve customers and create value for the long term.

Every year, at a group level, the Bank assesses the importance and materiality of external influences – both in terms of their relevance to our stakeholders (including customers, regulators, investors, policy makers, topic specialists and bank representatives) and their potential commercial impact to us.

In 2018 the RBS Key Influences Review involved interviews with internal and external stakeholders and a cross-bank workshop. The results help evaluate our performance in the context of wider societal issues, informing the Bank's future strategy and stakeholder engagement activity.

UBIDAC Key Influences Map



Please see the following page for notes to the above map.

SSM (Single Supervisory Mechanism) Risk Map 2018

The key influences in our operating environment, outlined above, broadly align to the SSM Risk Map 2018, which is shown below – albeit noting the differences in geographic focus and assessment criteria.

The three most prominent risk drivers affecting the SSM banking system, as circled in red on the map, are:

- Geopolitical uncertainties (incl. Brexit);
- Legacy and future NPLs;
- Cybercrime and IT disruptions.

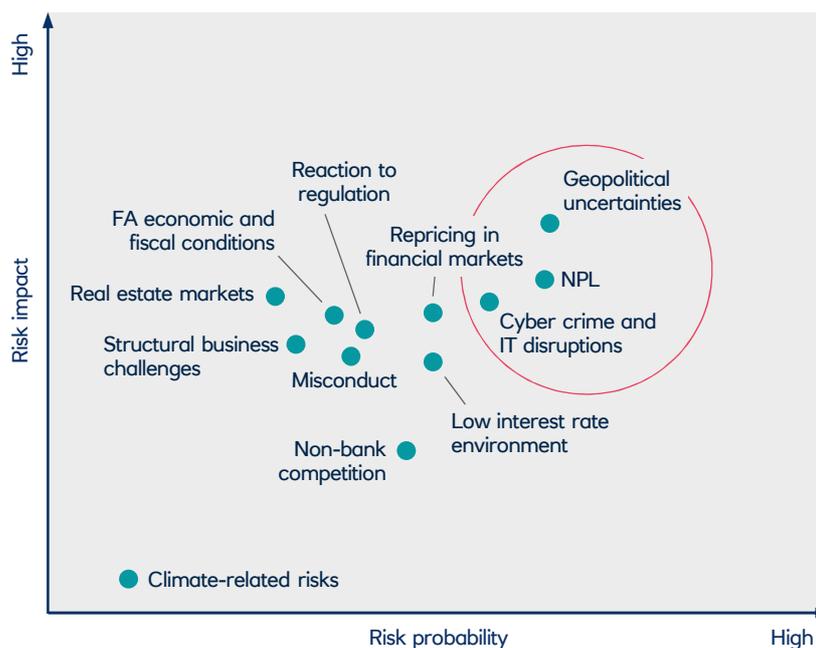
These are followed by:

- Repricing in financial markets;
- Low interest rate environment;
- Banks' reaction to regulation.

SSM supervisory priorities are available online at: https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory_priorities2019.en.html#toc1

Notes

The UBIDAC Key Influences Map is plotted based on stakeholder interest versus commercial impact, whereas the SSM Risk Map plots risk impact versus risk probability. It is also worth noting the broader EU-wide focus of the SSM map versus the stronger Ireland and UK focus of the UBIDAC map.



Understanding the key influences in our operating environment

Some of the most prominent key influences in our operating environment, particularly in the shorter term, include RoI economic growth, Brexit, the political landscape (including geopolitical uncertainties), reputation and trust, and legacy conduct issues.

- 1 Rol economic growth & Brexit**

Ulster Bank's performance is strongly tied to the economic performance of the Irish economy, which continued to deliver strong growth in 2018. With the short and long-term outlook for Ireland, the UK and the global economy remaining uncertain, we recognise our role in supporting productivity and economic growth.
- 2 Political landscape**

Political risks continue to evolve, with particular uncertainties related to Brexit.
- 3 Generating sustainable returns**

To generate sustainable returns to its stakeholders, the Bank needs to have a robust business model with a well managed cost base that adapts and responds to changing socio-economic and environmental factors, and the sustained low interest rate environment.
- 4 Technology & innovation**

Digital maturity is seen as critical to the future success of Ulster Bank as the banking sector experiences a period of rapid technological change. Digital innovation is disrupting traditional banking business models.
- 5 Changing customer expectations**

Customers lives are following less predictable paths. Ulster Bank needs to continue helping customers with new ways to bank while meeting personalised service expectations and catering to a broad range of lifestyles and differing levels of digital and financial products understanding.
- 6 Competition**

Regulators continue to encourage competition in the banking sector, with the arrival of Open Banking and Payment Services Directive 2 (PSD2) helping to open the market to new players. In response to growing competitive pressures Ulster Bank will continue to improve the bank's products and services to increase customer satisfaction and market share.
- 7 Reputation & trust**

A significant level of trust is required to ensure Ulster Bank is sustainable for the long term. Continued efforts to restore trust and safeguard reputation remain a key focus area for us.
- 8 Conduct & litigation**

Although Ulster Bank has resolved the majority of legacy conduct issues, the focus remains on completing our remediation programmes, including Tracker Mortgage Examination cases, and putting in place and maintaining measures to prevent future conduct issues arising.
- 9 Cyber security**

With the increasing possibility of significant scale attacks resulting in data breaches and, ultimately, damaging consumer trust, Ulster Bank must take a multi-layered approach to cyber security and continue to take part in RBS group-wide and industry initiatives to monitor and anticipate developments.
- 10 Operational resilience**

To provide continuity of service for customers with minimal disruption, Ulster Bank must continue to monitor and assess a diverse array of threats, both external and internal, as well as developing, strengthening or adapting existing our control capability to be able to absorb and adapt to such disruptions.
- 11 Banking regulation**

Ulster Bank continues to operate in an increasingly complex regulatory environment. The regulatory agenda, which amongst other things seeks to bolster the resilience of the banking and financial system and strengthen consumer protection, sets a demanding agenda – but one that Ulster Bank is committed to meet. Ensuring that we meet and exceed these challenges will be fundamental to our future success.
- 12 Inclusion & diversity**

Building a more inclusive bank is essential for our customers and colleagues. We will only achieve our ambition to be number one for customer service, trust and advocacy if we understand the needs of all our people and customers.
- 13 Culture, engagement & wellbeing**

A healthy culture and strong colleague engagement are critical drivers for overall performance and wellbeing, underpinning the Bank's long-term success.
- 14 Skills, capabilities & reward**

Ulster Bank faces competition for skilled people. Recruiting, developing and retaining talent remains a key priority.
- 15 Climate and sustainable finance**

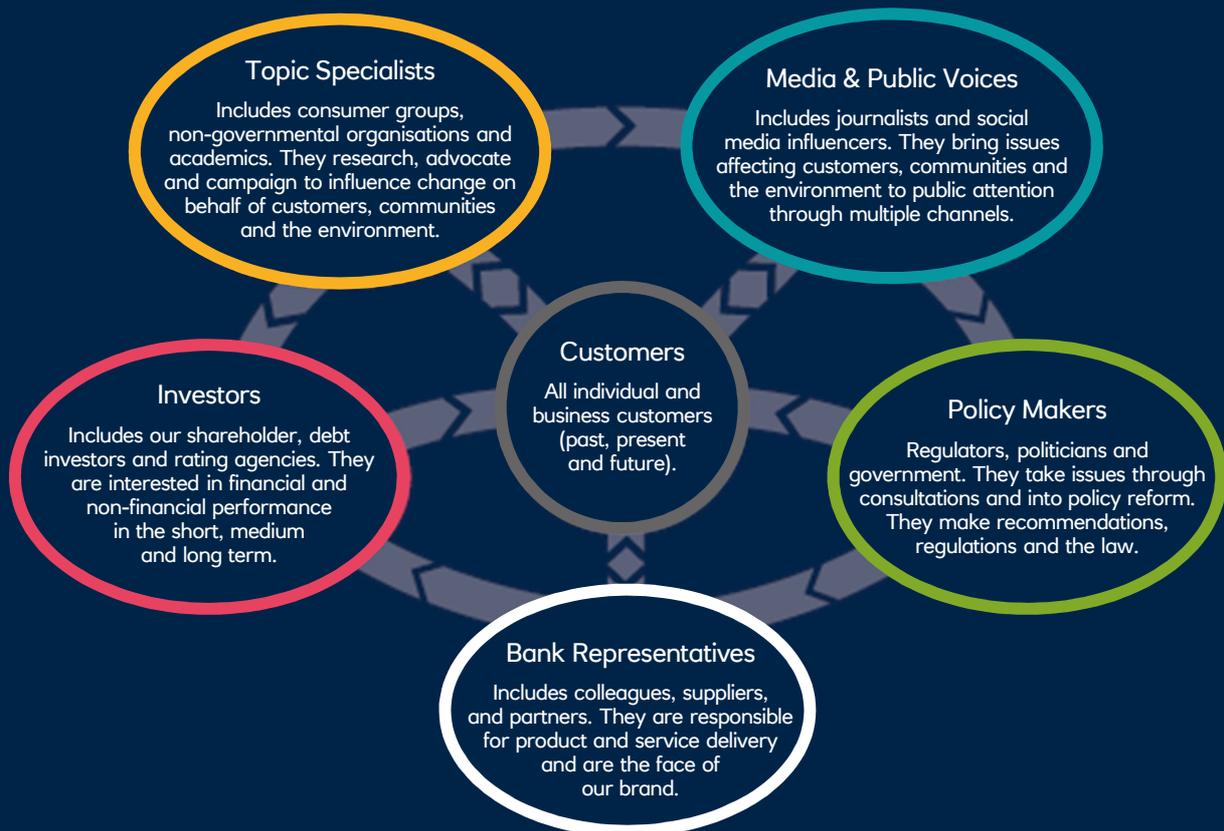
As the scientific evidence on climate change becomes even clearer, Ulster Bank is committed to its environmental responsibilities, embedding climate risk into our existing risk management framework.
- 16 Financial capability**

Against a backdrop of increased focus on debt, fraud and customers in vulnerable situations, Ulster Bank has a key role to play in supporting customers to use our various banking channels and manage their money well on a day-to-day basis, through significant life events and during periods of financial difficulty.
- 17 Housing**

Housing is a major expense for most people in many parts of Ireland, but particularly in and around Dublin and other metropolitan areas. There are concerns about the affordability and availability of housing, as well as the relatively high proportion of NPLs. The property market is a key consideration for Ulster Bank given we lend to personal mortgage customers and the construction sector in Ireland.

Building a more sustainable bank

Having an understanding of our impact across all stakeholders continues to help inform our strategy.



Interacting, engaging and collaborating with stakeholders is a central part of our ongoing business strategy. By working together and building strong lines of communication we create a mutually beneficial relationship that supports development and best practice. This gives us a holistic view of the opportunities and challenges that both our customers and we as a bank face.

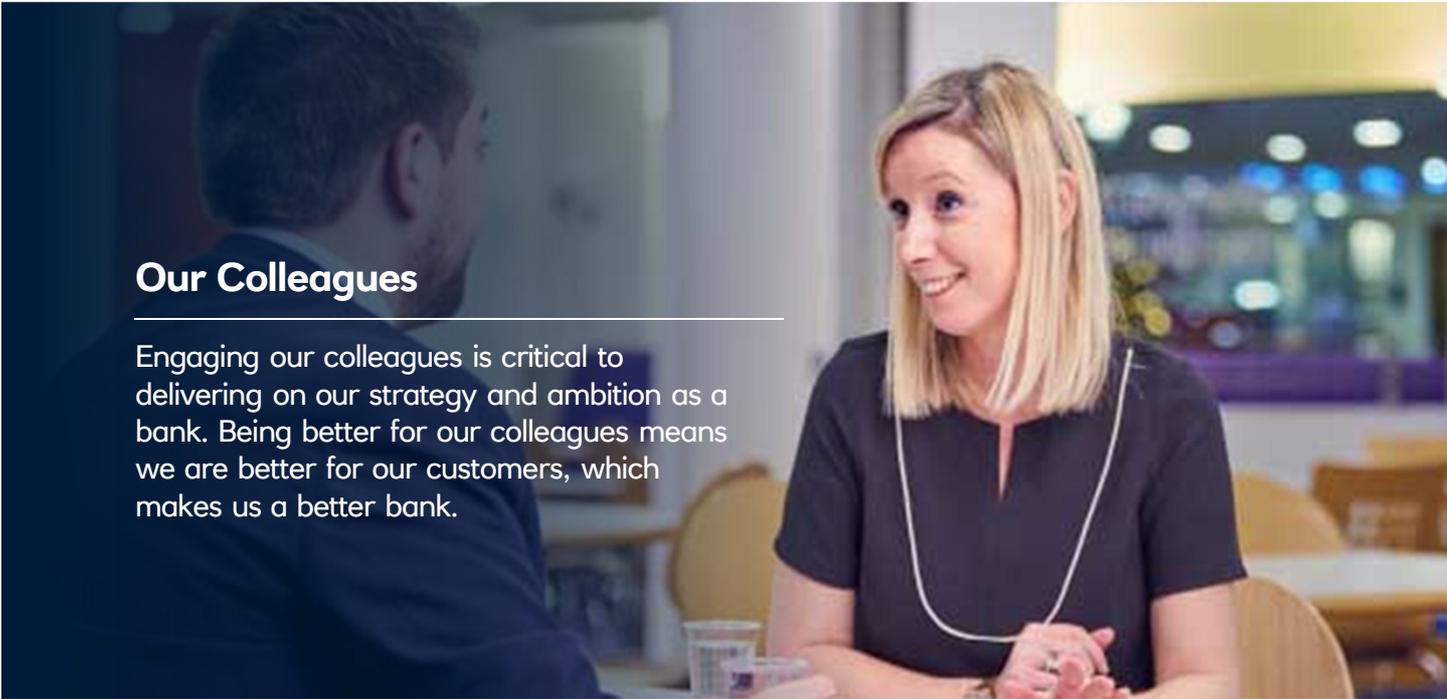
We engage with a number of industry representative bodies, including the Small Firms Association (SFA), Irish SME Association (ISME), Banking & Payments Federation Ireland (BPF), Irish Business and Employers Confederation (IBEC) and the British Irish Chamber of Commerce.

Our membership of the Banking and Payments Federation of Ireland (BPF), for example, brings together financial institutions across the country – mobilising our collective resources and insights. We are pleased to be able to share our experiences and expertise in areas such as the protection of vulnerable customers and financial education to help support customers, society and the economy as a whole.

The Government Corporate Social Responsibility (CSR) Stakeholder Forum brings together representatives from the business sector, public sector and wider community. By contributing to this forum and collaborating with other members we can develop and progress CSR best practice to businesses and organisations across the country.

In 2018 Ulster Bank was one of the founding members of the Irish Banking Culture Board (IBCB), with which we continue to collaborate on an ongoing basis. The IBCB, which is an independent body, is helping to ensure that the Irish banking industry is focused on the best interests of customers, colleagues and sustainable banking sector.

In October we were invited to take part in the IBCB Culture Survey, alongside the other four main Irish banks. The results of this survey are helping us to gauge our performance with respect to culture and behaviour, which will help to guide our strategy going forward.



Our Colleagues

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

Creating a Healthy Culture

Building a healthy culture is one of our core priorities. We have clear goals to reinforce our values and set ourselves priorities each year to continue our progress on building a healthy 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 75% of our colleagues completed our most recent opinion survey; the highest participation rate in the last five years. The results were also the most positive we have seen since we started measuring engagement in 2002 and show that we are changing the culture of the Bank for the better. Out of the 14 comparable categories in the survey, Ulster Bank now outperforms the Global Financial Services Norm in 13 categories, including all key indicators (Employee Engagement, Index Leadership Index, Determined to Lead, and My Manager).

In 2018 the newly established Irish Banking Culture Board (IBCB) surveyed culture across all five of its member banks in the Republic of Ireland. Overall, 59% of staff across member banks participated – including over 2,000 colleagues from Ulster Bank. The results show that we ranked in the top quartile in all areas of the survey, with strong scores in Openness and Accountability, Leadership and Customer Focus.

Whilst we have more work to do, the results of the 2018 Our View survey, coupled with the IBCB Survey, show that we are heading in the right direction for our customers, colleagues and stakeholders.

When colleagues wish to report concerns relating to wrongdoing or misconduct they can raise these via Speak Up, the Bank's whistleblowing service. Our opinion 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 2018, 19 Speak Up cases were raised versus 14 in 2017.

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.

In 2018 we simplified our basic pay, benefits and pension contributions package for our colleagues, making it easier for staff to understand the value of their fixed pay and to bring it more in line with industry best practices. We are confident that we pay our employees fairly and we keep our HR policies and processes under regular review.

Developing Skills and Capabilities

There are five core 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. 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 2018 our parent, RBS, launched 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.

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 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 Sales Knowledge Assessment level 1 and training for all front line sales colleagues, sales specialists and sales leaders is underway.

Our Bounce and StartUp programmes are continuing to embed a culture of innovation and 'intrapreneurship' within Ulster Bank, in collaboration with RBS and DogPatch Labs in Dublin. We were pleased to be named as a Learning & Development Initiative winner at the 2018 IITD (Irish Institute of Training & Development) National Training Awards for our Bounce Innovation Programme.

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.

Health and Wellbeing

Wellbeing remains a core part of making Ulster Bank a great place to work. Our Wellbeing plan for 2018 was delivered under four pillars; Mental, Physical, Social and Financial wellbeing.

Highlights of the year included: Mental Health Awareness training from the AWARE Charity; BUPA Boost Step Challenge, with a supporting mobile app; Parenting talk; 'Time for Tea' event on World Mental Health day; Yoga Super-classes; Health Check Kiosks and Money & Me training.

We continue to leverage from the RBS group-wide Wellbeing plan, in particular for Financial and Social Wellbeing – embracing the rapid acceleration of digital wellbeing by offering our colleagues a range of online and on-site wellbeing tools and resources.

In 2018 the Bank launched a new wellbeing campaign called Live Well, Being You. This month-long campaign in May focused on each of our four pillars, with a specific focus on Mental Health Awareness Week and World Mental Health Day in October 2018.

In 2018 we again supported our colleagues through change and have fully utilised the services of our Employee Assistance Programme through our new provider, ComPsych.

Ulster Bank was also awarded the Keep Well Mark, IBEC's workplace wellness accreditation, in 2018. This accreditation is an evidence based award that recognises employers for investing in workplace health and wellbeing. We are one of the first banks to achieve the award since its launch in September 2017.

Inclusion

Building a more inclusive bank is essential for our customers and colleagues. We will only achieve our ambition to be number one for customer service, trust and advocacy if we understand the needs of all our people and customers. If we become a more inclusive place to work, great people will want to work for us and more customers will want to bank with us.

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

As at the end of 2018 our permanent headcount was 2,456 (40% male and 60% female). As at the 31 December 2018 we have 36% female representation at our Executive level and 44% at Senior Manager level. Our 2030 aim is to have a fully balanced workforce at all levels of the Bank.

2018 Gender profile

Grade	#Male	#Female	%Female
Board	5	4	44
Executive	9	5	36
Senior Manager	38	20	34
Manager	251	191	43
Appointed	450	510	53
Clerical	209	553	73

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.

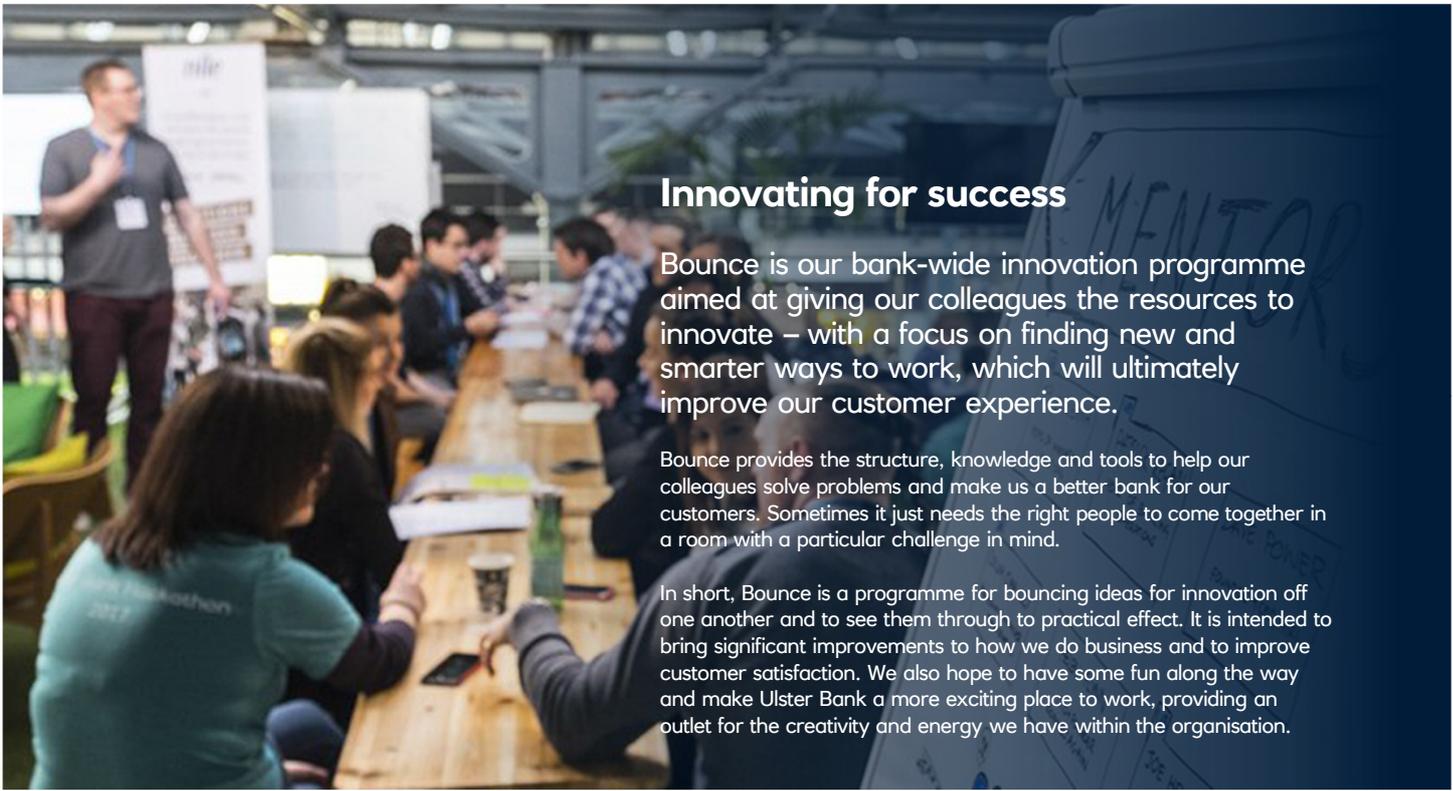
LGBT Innovative

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.

Inclusive culture

In 2018 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.



Innovating for success

Bounce is our bank-wide innovation programme aimed at giving our colleagues the resources to innovate – with a focus on finding new and smarter ways to work, which will ultimately improve our customer experience.

Bounce provides the structure, knowledge and tools to help our colleagues solve problems and make us a better bank for our customers. Sometimes it just needs the right people to come together in a room with a particular challenge in mind.

In short, Bounce is a programme for bouncing ideas for innovation off one another and to see them through to practical effect. It is intended to bring significant improvements to how we do business and to improve customer satisfaction. We also hope to have some fun along the way and make Ulster Bank a more exciting place to work, providing an outlet for the creativity and energy we have within the organisation.

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, colleagues and 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 Colleagues

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

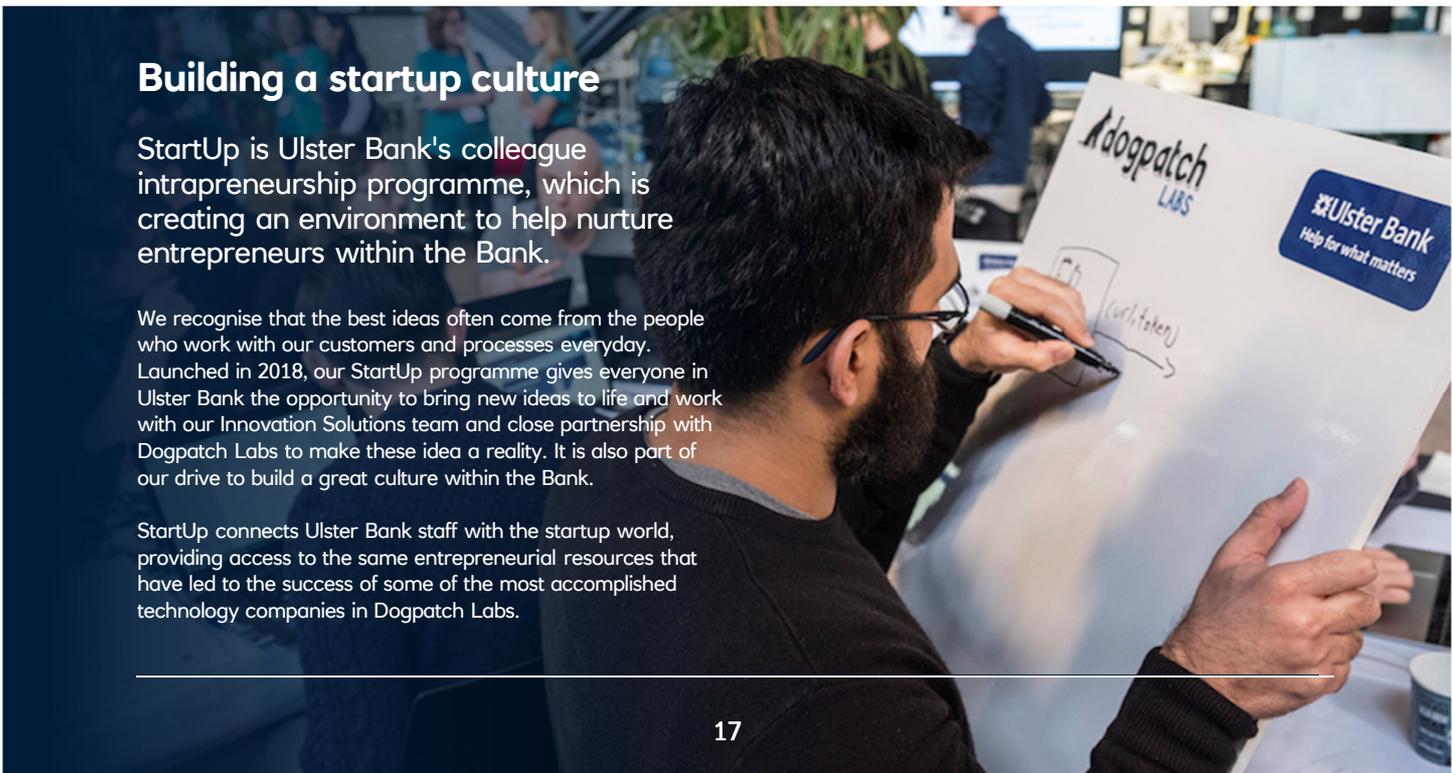
In 2018 we updated and enhanced our Sustainable Procurement Code, now referred to as the Supplier Code of Conduct (SCoC). The SCoC continues to be a contractual requirement and we expect our suppliers to uphold the same values and commitments that we have made on social and environmental impacts.

Building a startup culture

StartUp is Ulster Bank's colleague intrapreneurship programme, which is creating an environment to help nurture entrepreneurs within the Bank.

We recognise that the best ideas often come from the people who work with our customers and processes everyday. Launched in 2018, our StartUp programme gives everyone in Ulster Bank the opportunity to bring new ideas to life and work with our Innovation Solutions team and close partnership with Dogpatch Labs to make these ideas a reality. It is also part of our drive to build a great culture within the Bank.

StartUp connects Ulster Bank staff with the startup world, providing access to the same entrepreneurial resources that have led to the success of some of the most accomplished technology companies in Dogpatch Labs.



Culture

Culture transformation lies at the heart of our strategic ambition to become the number one bank for customer service, trust and advocacy.

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”. As a business, we are working to strengthen our culture in order to deliver better outcomes and to build a long term sustainable bank.

We have developed a plan to transform our culture and address the findings from the Central Bank of Ireland (CBI) Culture Inspection in 2018 against the five themes of Decision-Making, Leadership, Communications, Group Dynamics and Mindsets & Behaviours. Our culture plan is driven by the Board, CEO and Executive team and leverages tools and initiatives already in place in the Bank, ensuring culture is integrated into everything we do – rather than being managed as a separate project. This approach is informed by industry best practice, which recommends a multi-levered and integrated approach to driving cultural change. The tools and techniques being utilised to support our culture plan include Our Values, Our Code, the Yes Check, and our Performance Excellence framework.

Building a great place to work for our people is an essential component of creating a strong culture. Our Diversity & Inclusion strategy promotes diversity and provides all of our colleagues with an inclusive culture and environment in which they are fully supported to bring the best of themselves to work.

Measuring culture is a vital step in assessing our progress towards building a better bank. A Culture Dashboard has been developed using a range of qualitative and quantitative metrics, which map to Our Values of Serving Customers, Working Together, Doing the Right Thing and Thinking Long Term. It also takes into account the Irish Banking Culture Board’s characteristics of good culture, which include Shared Purpose, Honesty, Respect, Openness, Accountability, Competence, Reliability, Responsiveness and Resilience.

One of our top culture priorities in 2019 is the embedding of a ‘lessons learned’ approach to drive improved customer outcomes, reduce complaints, make the Bank safer and further strengthen our risk culture. This will include learning from our remediation programme and legacy conduct issues to avoid making past mistakes. Over the last two years we have built the foundations of our culture transformation – strengthening our corporate governance and risk management processes and frameworks. These enhancements complement the Bank’s risk culture programme that we launched in 2016, which seeks to make risk a natural part of how we work, behave and think in Ulster Bank. Our new risk management and internal controls framework, enhanced corporate governance processes and existing risk culture programme are essential building blocks in improving our overall culture.

IBCB Culture Survey

Ulster Bank is a founder member of the Irish Banking Culture Board (IBCB), an independent body setup to help rebuild trust in, and embed a customer-first culture across, the Irish banking sector.

The results of the 2018 IBCB Culture Survey show that Ulster Bank scored in the top quartile in all areas of the survey. Our strongest scores were in Competence, Respect, Honesty, Shared Purpose, Reliability, Openness and Accountability – with more work to be done to improve our Responsiveness and Resilience scores.

Survey highlights

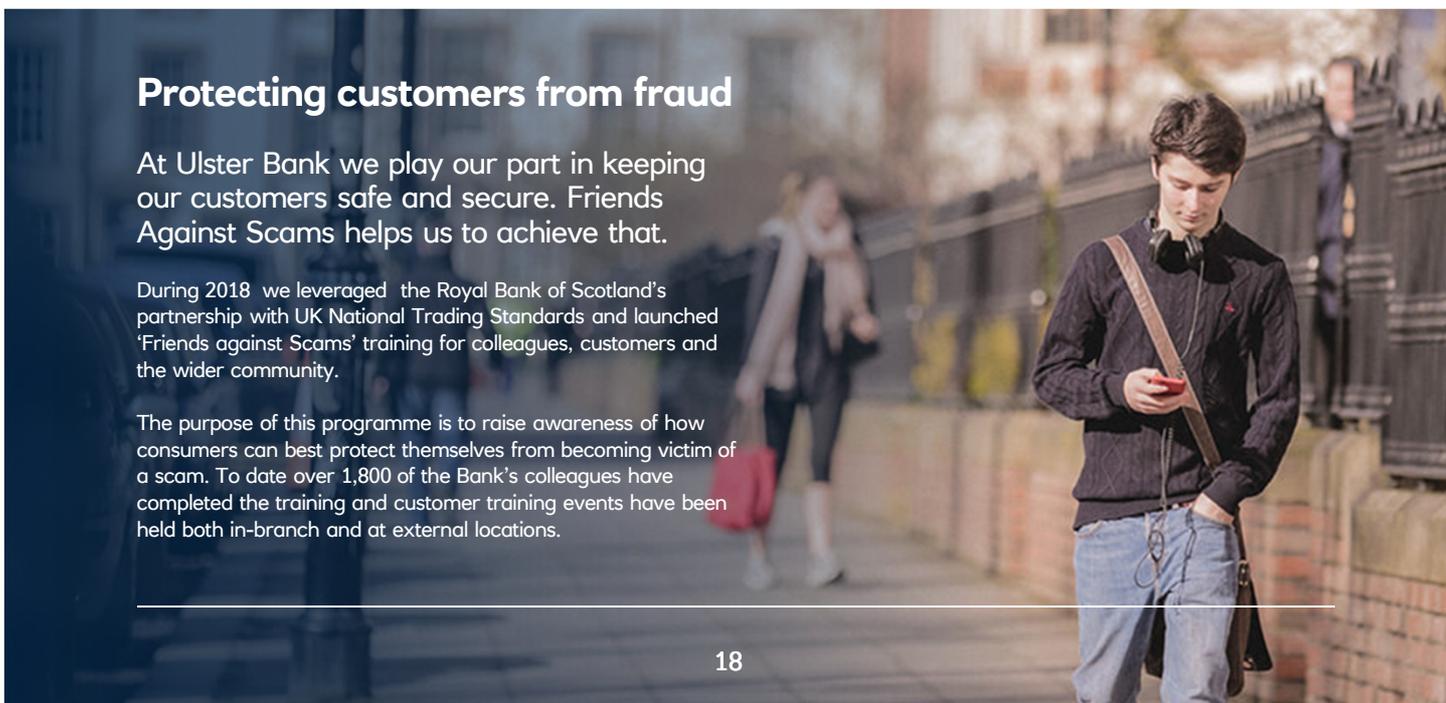
1. Ulster Bank colleagues have responded positively across all nine categories of the survey which include Shared Purpose, Honesty, Respect, Openness, Accountability, Competence, Reliability, Responsiveness and Resilience.
2. The responses have been particularly strong on Openness and Accountability as well as on Leadership, Customer Focus and Speaking Up.
3. Our customer focus was evident in our survey results and ‘Customer’ was the word most commonly used by our colleagues to describe Ulster Bank. This reflects our purpose of helping our customers with what matters to them.
4. Over 80% of colleagues said that the Bank’s purpose and values were meaningful to them.
5. There are also areas for improvement, with 63% of colleagues indicating that our internal processes and practices are a barrier to the Bank’s continuous improvement, as well as health and wellbeing.

Protecting customers from fraud

At Ulster Bank we play our part in keeping our customers safe and secure. Friends Against Scams helps us to achieve that.

During 2018 we leveraged the Royal Bank of Scotland’s partnership with UK National Trading Standards and launched ‘Friends against Scams’ training for colleagues, customers and the wider community.

The purpose of this programme is to raise awareness of how consumers can best protect themselves from becoming victim of a scam. To date over 1,800 of the Bank’s colleagues have completed the training and customer training events have been held both in-branch and at external locations.



Our customers

Our ambition is to build the best bank for customers and become number one for customer service, trust and advocacy. We aim to be hi-tech and hi-touch, which means lower cost, high quality digital services with human expertise and support when needed – ensuring our customer experience is effortless everyday and brilliant when it matters.

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'.

Our performance

We have made great progress making Ulster Bank easier for customers to bank with. Our digital innovations attract strong customer advocacy, but we recognise we have more work to do – particularly for our Business Direct customers. Colleagues across the Bank are fully focused on delivering a more consistent service that is right first time, supported by improvements to key customer journeys and other initiatives.

Enhancing customer experience

We are committed to enhancing our customer experience, which is why we are investing in both our branches and digital channels. Customers can now self-serve in over 60% of our branches and our mobile banking app is rated one of the best in the market. As more customers bank with us online and via mobile, we will continue to leverage the best of RBS innovation to deliver market-leading digital services.

Our Net Promoter Scores (NPS)

The below table shows our NPS across our four main customer segments over the last three years – as well as our NPS ranking at the end of 2018 against our peer banks in Ireland.

Customer segment	2016	2017	2018	2018 Ranking
Personal Banking ⁽¹⁾	-7	-7	-6	#2
Business Direct ⁽²⁾	na	-6	-24	#2
SME Banking ⁽³⁾	8	9	5	#2
Corporate Banking ⁽⁴⁾	25	23	3	na*

Notes

- (1) Source: Coyne Research, Q4 2018 (4 quarter rolling data). Latest base size: 297. Question: Please indicate to what extent you would be likely to recommend [brand 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.
- (2) Source: RED C Research, Business Direct Survey. Latest base size: 268. 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 [BRAND], to another business or colleague?
- (3) Source: RED C Research, SME Survey. Latest base size: 236. 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 [BRAND], to another business or colleague?
- (4) Source: RED C Research, Corporate Banking Survey. Latest base size: 70. 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 [BRAND] as a Corporate Banking provider, to another business or colleague?

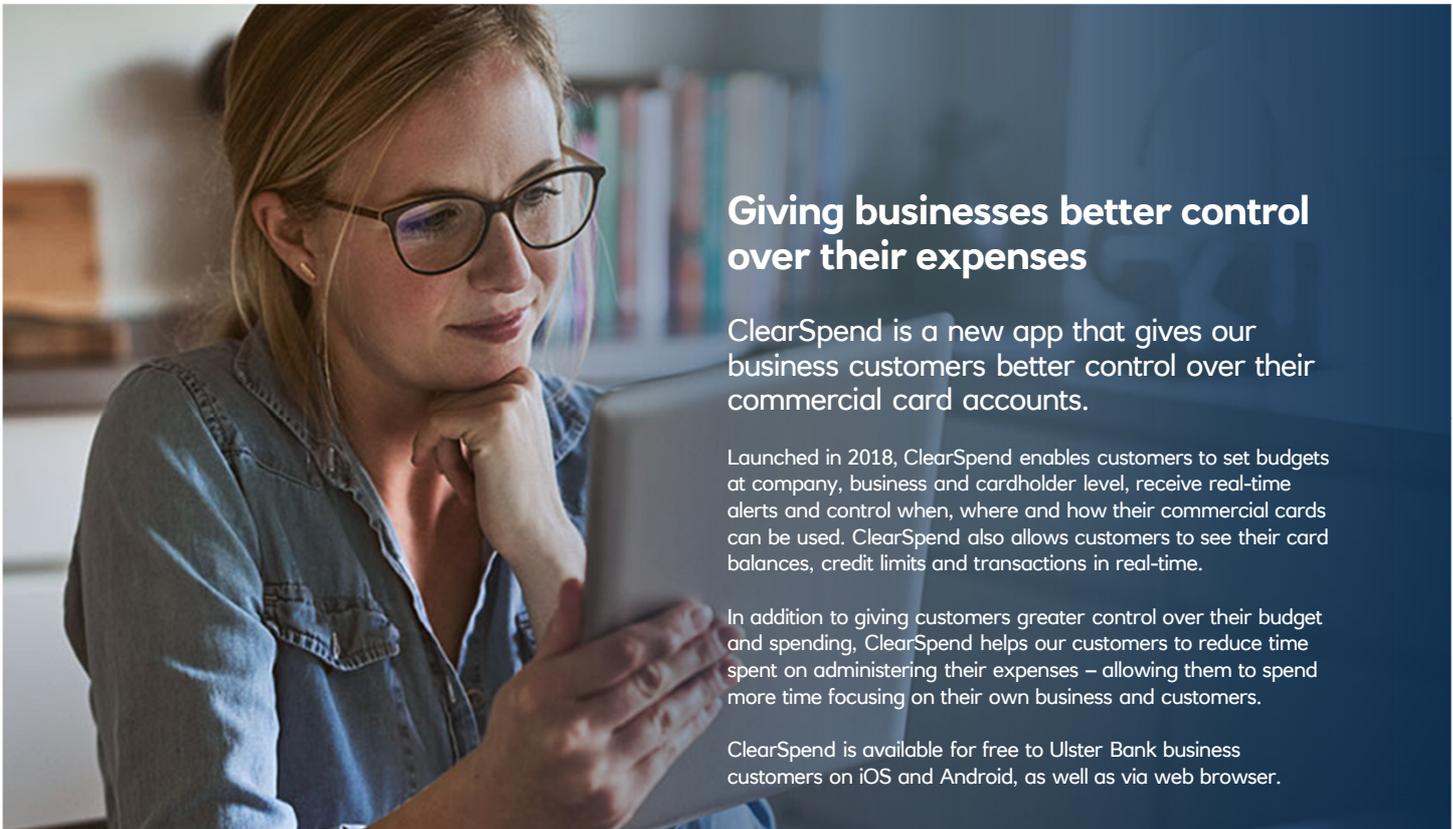
*Rankings are based on main banks with 90+ respondents. Base size not sufficient for a market comparison in Corporate Banking.

How we calculate NPS

Survey respondents are grouped as follows:

- Promoters (score 9-10)
- Passives (score 7-8)
- Detractors (score 0-6)

NPS is then calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.



Giving businesses better control over their expenses

ClearSpend is a new app that gives our business customers better control over their commercial card accounts.

Launched in 2018, ClearSpend enables customers to set budgets at company, business and cardholder level, receive real-time alerts and control when, where and how their commercial cards can be used. ClearSpend also allows customers to see their card balances, credit limits and transactions in real-time.

In addition to giving customers greater control over their budget and spending, ClearSpend helps our customers to reduce time spent on administering their expenses – allowing them to spend more time focusing on their own business and customers.

ClearSpend is available for free to Ulster Bank business customers on iOS and Android, as well as via web browser.

Our Values

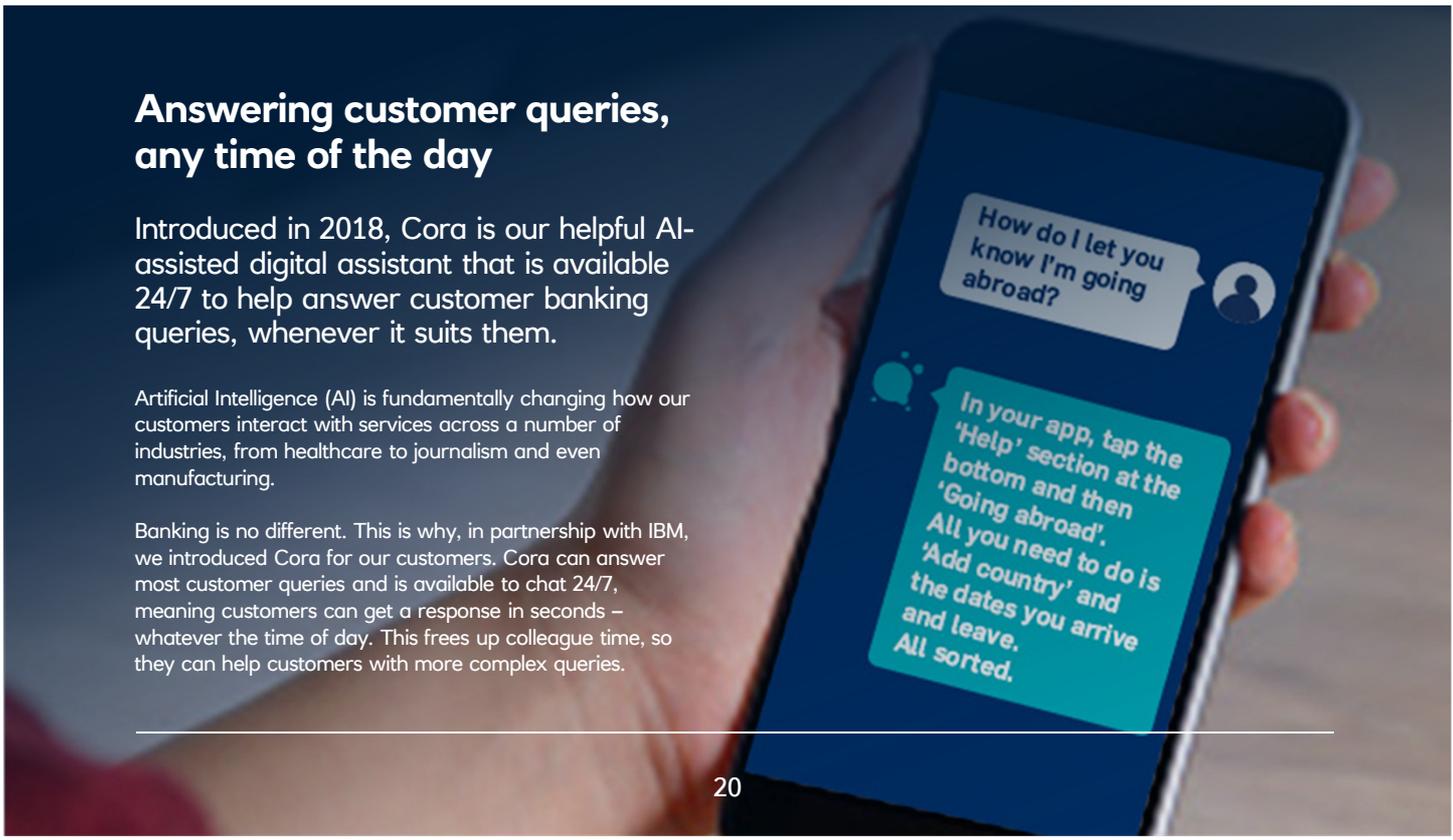
Our Values guide our actions every day, in every part of our business. Consistently living our values will help us to build a great culture.

Serving customers

- We exist to serve customers.
- We earn their trust by focusing on their needs and delivering excellent service.

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.



Answering customer queries, any time of the day

Introduced in 2018, Cora is our helpful AI-assisted digital assistant that is available 24/7 to help answer customer banking queries, whenever it suits them.

Artificial Intelligence (AI) is fundamentally changing how our customers interact with services across a number of industries, from healthcare to journalism and even manufacturing.

Banking is no different. This is why, in partnership with IBM, we introduced Cora for our customers. Cora can answer most customer queries and is available to chat 24/7, meaning customers can get a response in seconds – whatever the time of day. This frees up colleague time, so they can help customers with more complex queries.



Investing in our communities

Since its inception in 2014, our Skills & Opportunities Fund has donated more than €650,000 to charitable organisations across the country – creating 450 jobs and benefitting more than 4,000 people.

In 2018 Dress for Success in Dublin received the funding needed to launch Sense about Cents, a financial education programme for women who have recently been supported back to work by the organisation.

The programme aims to give women economic independence by providing education around matters such as payslips, budgeting, pensions and financial products. This vital support empowers women to improve their own wellbeing and that of their families.

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.

Helping first time buyers

In 2018 we launched our First Five Mortgage offering, with a range of benefits tailored to meet the specific and practical needs of customers purchasing their first home.

Under Ulster Bank's wider brand proposition of 'Help for What Matters', our First Five Mortgage identifies exactly what that help looks like through five key benefits for first time buyers, including:

- €25,000 life insurance cover at no cost to the customer.
- 50% off home insurance so that customers have the right level of cover to protect their home and family.
- Low fixed rates from 2.30%.
- €1,500 towards legal fees.
- Free valuation.

We know from talking to our customers that they want real, tangible support when buying their first home and that's exactly what the First Five Mortgage features provide.



How we create value

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

1. Our key resources



Financial

We make use of shareholder capital and other forms of financial capital, including €20 billion 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 high street and An Post branches, mobile branches, telephony, webchat and self-service options like ATMs and cash deposit machines. In support of these channels during 2018 our technology systems have been available 99.96% of the time.



Human

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

2. Our business activities

Our customers

We provide financial services to personal, SME 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, 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 and ATMs.

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

3. How we create value for our customers and society



Protecting our customers

- Prevented 100,000 cases of attempted fraud against our customers, amounting to €7.8 million in the Republic of Ireland.
- Trained over 1,800 colleagues as part of 'Friends Against Scams', to help protect our customers against fraud.

Keeping money safe and accessible for our customers



Building financial capability

- Over 40,000 Personal Financial Reviews were completed in 2018 with customers around the country.
- Since 2015 MoneySense has helped over 82,000 young people in the Republic of Ireland learn about money.

Empowering customers to make better financial decisions and achieve their goals



Jobs and the economy

- Third largest bank in Republic of Ireland, with a workforce of 2,343 full time staff, making us a major national employer.
- In 2018 we lent €1.4 billion to Irish businesses, who in turn employ thousands of people across the country.
- Payment of €67.7 million in taxes and levies to the Irish Government in 2018.

A responsible business supporting employment across Ireland



Supporting Enterprise

- €1.4 billion new lending to SMEs and larger corporates in Commercial Banking.
- Our Skills & Opportunities Fund distributed €217,000 to support people to start or develop a business now or in the future.
- €50 million SME Brexit Loan Scheme launched in 2018.
- €15 million made available to farmers via our Weather Agri Fund.

Helping people develop, build and grow businesses



Improving digital capability

- 69% of our active personal current account customers regularly use either our mobile or online banking channels.
- We have 281 TechXperts across our branch network, empowering customers to take advantage of our digital and mobile banking services.

Offering customers more choice and ways to bank



Making a difference for the environment

- Signatory of Business in the Community Ireland's Low Carbon Pledge, committing to a 50% reduction in Scope 1 and Scope 2 emissions by 2030.
- 2020 targets to reduce water use by 10% and paper use by 60%, while continuing to target 0% waste to landfill.

Addressing the risks and opportunities climate change presents to us and our customers



Community and charitable giving

- Our colleagues volunteered 5,000 hours in 2018 to good causes.
- We made charitable and community investment donations in the Republic of Ireland totalling €262,308.
- We also raised over €120,000 for Special Olympics Ireland through our staff fundraising campaign, Do Good Feel Good, in June.

Our colleagues make a difference supporting charities and local communities



An inclusive culture

- Progress continued on our inclusion agenda to value diversity in all its forms to be gender balanced, ethnically diverse, disability smart and LGBT innovative.
- 44% female representation in our top 100 management roles.

Building a great place to work that reflects the society we are proud to serve



Housing

- Lent €476 million to first time buyers in 2018, helping nearly 4,000 customers to buy their first home.
- Providing total new mortgage lending of €1.1 billion in 2018, helping over 9,000 customers to buy and move home.

We are helping customers to get onto the property ladder

Our business

Our business consists of two main customer-facing divisions, Personal Banking and Commercial Banking, backed by a number of supporting functions.

Personal Banking

Our teams of professional Community Bankers, Mobile Mortgage Managers, Private Banking and Financial Planning Managers serve communities across Ireland – supported by our nationwide branch network, mobile bank fleet and digital platforms, which offer a multi-channel banking service.

Commercial Banking

Dedicated relationship management teams support our larger SME and Corporate clients, with smaller business customers managed via our direct banking proposition – Business Direct. All of our business customers also have access to our online and mobile banking platforms, Anytime and Bankline.

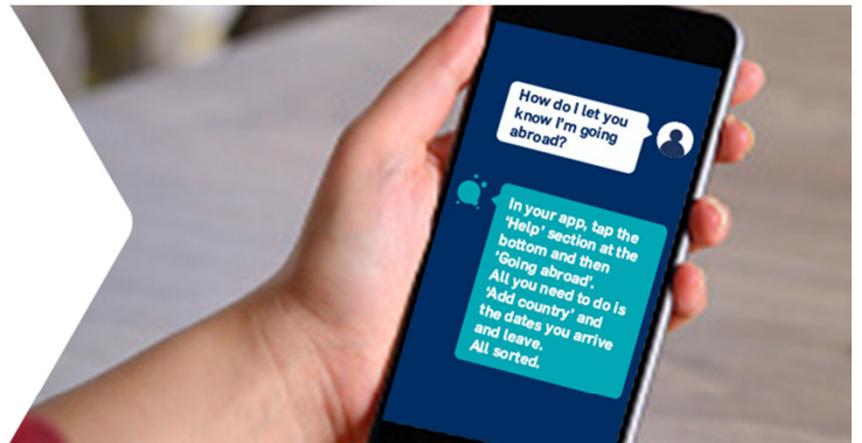
We deliver our products and services via our branches, business centres and digital banking channels. We are also responding to changing customer behaviours and expectations with new channels such as Cora, our 24/7 banking digital assistant.



Our products and services

Our products and services are designed to be easy to use, deliver fair outcomes for customers and create sustainable value. Keeping our product range simple and accessible is crucial to our success.

Personal Lending	Transactional Banking & Deposits	Financial Planning	Commercial Lending	Treasury Management	Banking & Risk Management
<ul style="list-style-type: none"> ■ Mortgages ■ Personal loans ■ Credit cards ■ Overdrafts 	<ul style="list-style-type: none"> ■ Current accounts ■ Savings accounts 	<ul style="list-style-type: none"> ■ Pensions ■ Investments ■ Insurance 	<ul style="list-style-type: none"> ■ Business & Commercial Real Estate (CRE) lending ■ Invoice financing ■ Asset-backed lending 	<ul style="list-style-type: none"> ■ Interest rate & currency solutions ■ Trade finance products 	<ul style="list-style-type: none"> ■ Payments ■ Insurance ■ Transaction services

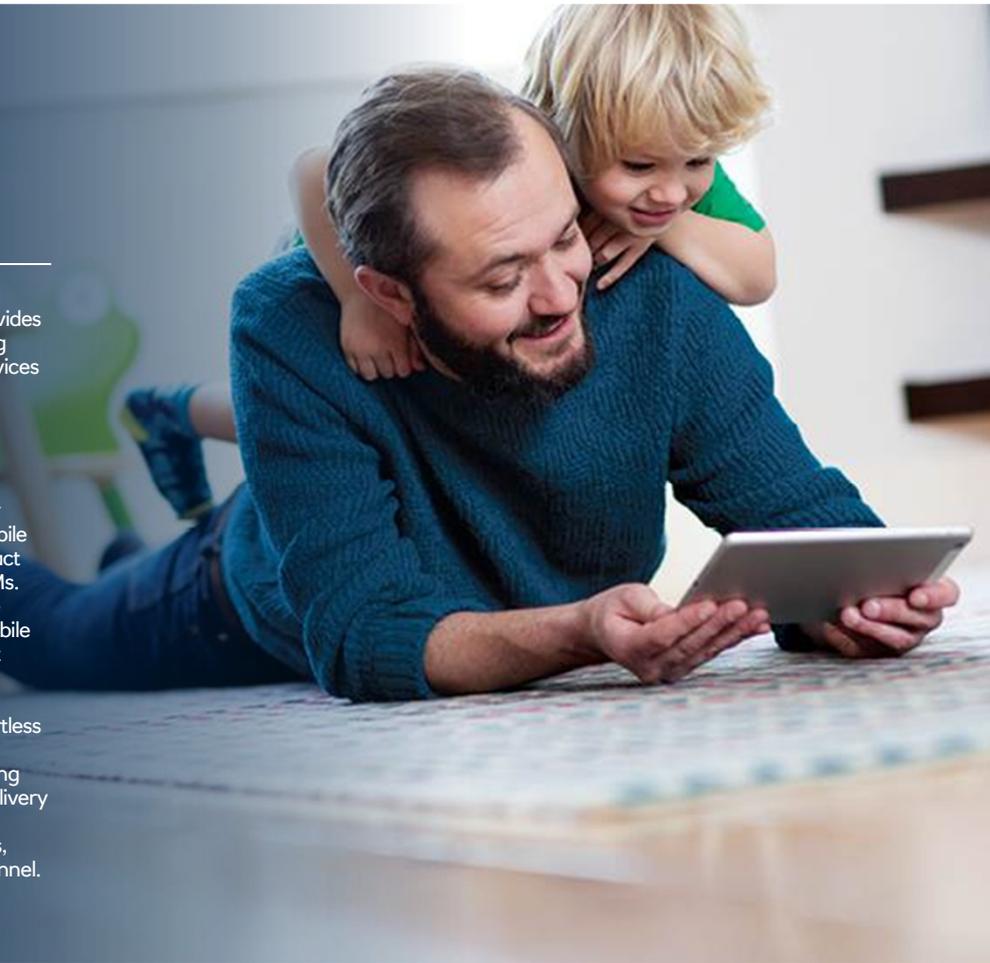


Personal Banking

Ulster Bank Personal Banking provides a comprehensive range of banking products and related financial services to personal customers and private banking clients in the Republic of Ireland.

Offering 24/7 banking facilities, customers are served through our national network of branches, mobile banking and online banking, contact centres, broker channels and ATMs. We also run a mobile bank service serving rural communities and Mobile Mortgage Managers who can visit customers at home.

We are focused on delivering effortless experiences everyday and being brilliant when it matters – deepening customer relationships through delivery of fair, competitive, simple and professional products and services, irrespective of the distribution channel.



2018 highlights

New lending

Ulster Bank's 'Help for the Movers' campaign contributed to new mortgage lending of €1.1 billion in 2018 – an increase of 13% from 2017. Lending continued to be driven by a strong uptake of both the Bank's variable and fixed rate propositions, including a market-leading 2.3% two year fixed rate mortgage that was launched in June. We also expanded our mortgage broker panel, with this channel generating c.28% of new mortgage business in 2018.

Customer experience

We continued to strengthen our digital proposition in 2018, enhancing the Bank's online and mobile capabilities to improve the customer experience. In 2018 we made it easier for customers to send us important documentation electronically when applying online for current accounts or personal loans through our new Digidocs software – eliminating the need for them to visit a branch. We also improved things for our mortgage customers with our new 'Manage my Mortgage' platform, which enables customers to check real-time balance information, manage their direct debit details and request a Certificate of Interest online.

Digital banking

During 2018, 69% of the Bank's customer base were 'digitally active', including a 7% increase in mobile app users. A number of new features were introduced to our mobile banking app in 2018, including the ability for customers with Ulster Bank MasterCard credit cards to now temporarily freeze their credit card if it is misplaced. Our credit card customers can also view real-time balance updates on the app, as well as use a new budgeting feature to create a personal credit card budget. Customers can also now register for our mobile app using an international mobile number from 18 different countries.

Branch upgrade programme

Ulster Bank also initiated a further programme of investment to enhance the branch network. Nine branches underwent significant upgrade including the installation of self-service terminals, digital marketing screens and mobile banking tablet technology. Self-service terminals were also added to a further 41 branches, meaning customers now have the option to self-serve in over 60% of our branch network. This includes being able to deposit cash and cheques, print bank statements and access other services.

Serving local communities

The continued development and optimisation of the Bank's digital offerings were complemented by a more comprehensive geographical presence in order to meet customers' needs across the country. A team of Community Bankers each visited up to nine towns weekly, providing support to both individuals and community groups. 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. The fleet of five mobile branches or 'bank on wheels' visited up to 49 towns weekly serving customers across the Republic of Ireland. Our customers can also access crucial services through our strategic partnership with An Post – including being able to deposit funds over the counter at An Post offices across Ireland.

Protecting customers

We also facilitated 'Friends against Scams' training for our colleagues, customers and the wider community, raising awareness of how customers can best protect themselves from becoming a victim of a scam. To date over 1,800 of the Bank's employees have completed this training.

Making life easier for mortgage customers

In 2018 we introduced a new online mortgage management platform for our customers called 'Manage my Mortgage'.

This platform enables customers to make various changes to their mortgage online, including making overpayments, changing repayment dates and choosing a new product when their current deal has ended.

Previously our mortgage customers had to request most of these changes over the phone or in writing. The new platform simplifies this process and enhances the customer experience, meaning less delays, less paperwork and fewer errors – with calls into our Mortgage centre also down. This is great news for both customers and colleagues, whom we have received fantastic feedback from.

Being based on the same platform used by our sister brands, RBS and NatWest, in the UK means that our customers in Ireland will benefit from our parent's ongoing investment in the platform. An example of this is the new 'product switch' feature that went live in February 2019, which makes it even easier for our customers to manage their finances and choose the right mortgage for them.



Commercial Banking

Ulster Bank Commercial Banking serves SME customers and larger corporate clients in the Republic of Ireland.

We offer a full range of banking solutions and services across all customer segments from Large Corporate to Micro SME. Dedicated relationship management teams support our larger SME and corporate clients, with our micro SME customers managed via Business Direct. Usage of our Anytime app for business has grown 30%, while Bankline – our award-winning online banking platform serves 20,000 of our larger business customers.

We continue to invest in customer experience, making it easier to do business with us. We are investing in 2019 to simplify and digitise our on-boarding process and small business lending process.

2018 highlights

New lending

Commercial Banking continued to support existing and new customers with credit provision resulting in new lending of €1.5bn in 2018, matching that achieved in 2017. New lending activity was particularly strong in the Corporate business where the Bank is supporting our customers' growth with the provision of finance within the Bank's risk appetite across multiple sectors including healthcare, agriculture, hospitality and Commercial Real Estate (CRE).

The Lombard Asset Finance business generated in excess of €190 million of new lending in 2018, an increase of 40% over 2017 with particularly strong momentum in the new Consumer Car channel. The business introduced the Adobe E-sign platform in 2018. This is a secure and convenient means by which customers can provide a digital signature for their Lombard contracts, saving time and reducing use of paper. Lombard Motor Finance announced a partnership with Cars Ireland (an online car sales search engine). This partnership saw the integration of the Bank's consumer car finance offerings on a third party channel for the first time, enabling customers to get real-time quotes for available products.

Business Achievers

We continued to invest in our Business Achievers network, a free peer-to-peer digital platform with over 20,000 registered business owners throughout Ireland. ContentLive allows us to share valuable insight and content with our customers, while the network allows our customers to share best practice and gives them a networking platform.

Partnering for Success

In support of our SME customers, we partnered with key industry stakeholders including the Irish Exporters Association and the Dublin and British/Irish Chambers of Commerce to provide events programmes across the country focussing on key industry issues including Agri, Brexit and Supply Chain challenges. The 'Momentum' series in partnership with Dublin Chamber of Commerce gave SMEs the opportunity to hear from and ask questions of entrepreneurs and business leaders from a variety of sectors. We also sponsored the British Irish Chamber of Commerce roadshow series, which took place at venues across the UK and Ireland and focused on the potential impact of Brexit across a range of sectors, including SMEs, infrastructure, life sciences, culture and tourism.

SBCI Partnership

Ulster Bank continued our partnership with the Strategic Banking Corporation of Ireland (SBCI) in 2018 and into 2019. We recognise the impact that uncertainty over Brexit is having on businesses, particularly SMEs. As a result, in continued partnership with the Strategic Banking Corporation of Ireland, a €50 million SME Brexit Loan Scheme was launched in 2018. The scheme made term funding available to eligible customers to enable them to prepare for the potential impacts of Brexit. This was part of our extensive communications campaign with our customers on Brexit awareness.

Weather Agri Fund

As a result of a number of instances of adverse weather conditions throughout 2018, €15 million was made available through the Bank's Weather Agri Fund to both existing and new customers to help support farmers and alleviate cash flow pressures.

Supporting the Irish healthcare sector

Ulster Bank's support for the residential and private hospital healthcare sector in Ireland has seen us provide €150 million of lending in the last 18 months for new construction and investment in existing facilities – resulting in the creation of 2,165 new beds across the country.

Our commitment to this key sector in Ireland's health economy is supported by our sector expert teams in Corporate and SME Banking, who work closely to understand our customers' needs. Our Healthcare team in Corporate and SME Banking brought their sector expertise to bear in 2018, winning significant new transactions for the Bank, with clients including Sports Surgery Clinic, Brindley Healthcare and Centric Health.

"Our acquisition in Kildare is the next step in our ambitious growth plans and we are delighted to have the support of Ulster Bank as we seek to expand further to meet the needs of those in residential care".

Amanda Torrens
CEO, Brindley Healthcare



The bank we are becoming

Effortless everyday and brilliant when it matters

We want to be a low risk, safe and sustainable Irish retail and commercial bank, serving individuals and businesses, which is number one for customer service, trust and advocacy.

We aim to be hi-tech and hi-touch, which means lower cost, high quality digital services with human expertise and support available when needed – ensuring the customer experience is effortless everyday and brilliant when it matters.

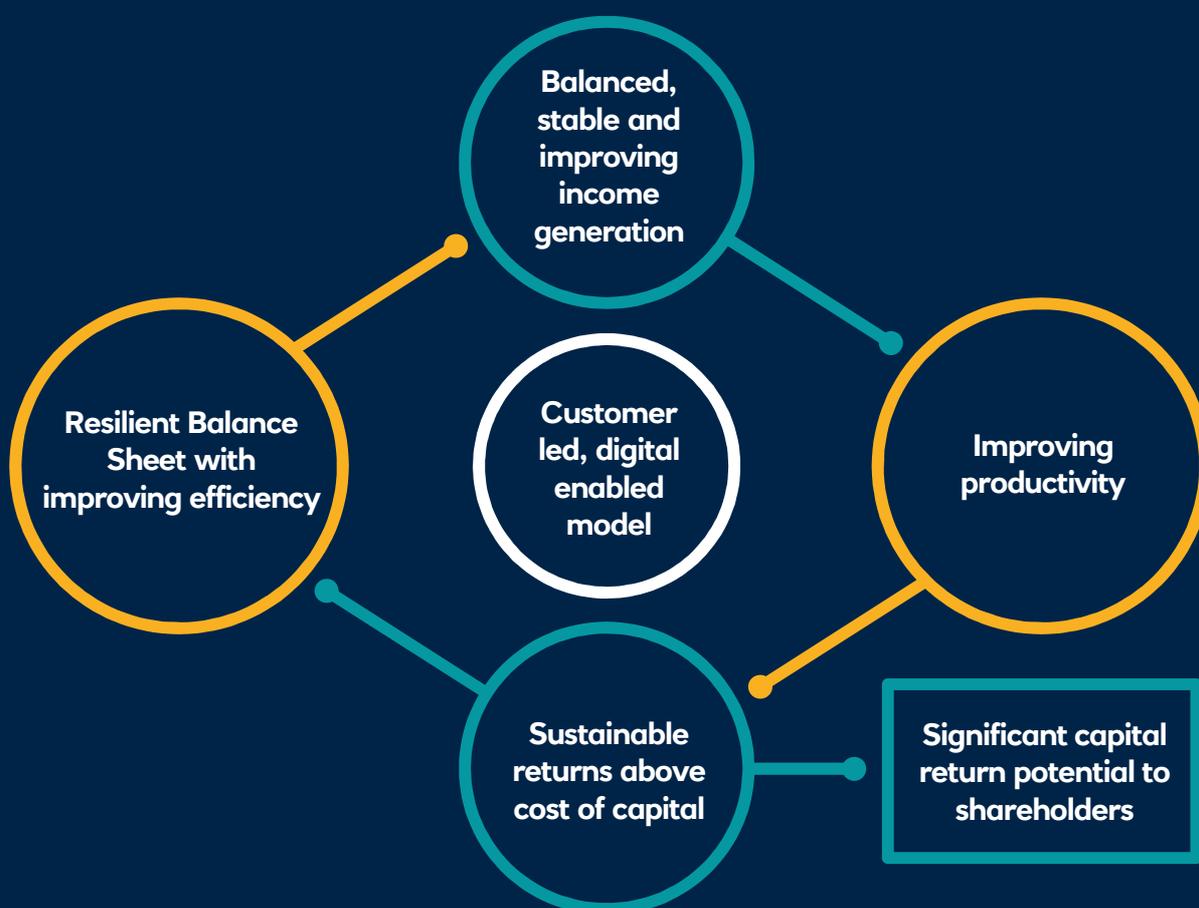
We will be a bank that is focused on customer needs; a bank that is a great place to work, a bank that is easy to do business with and a bank with simple processes through the use of innovation and great technology.



- Number one bank in Ireland for customer service, trust and advocacy across personal, SME and corporate customer segments.
- A leading Irish retail and commercial bank.
- Strong brand and market position.



- Growing in attractive chosen markets.
- Track record of cost and risk reduction.
- Improving returns and capital generation.
- Closely aligned to RBS and NatWest in the UK.



Our outlook

Sustainable growth, underpinned by an agile business model and customer centric culture, will support the delivery of the Bank's long term targets. We will continue to monitor and adapt to the economic uncertainty arising from Brexit.

Ulster Bank, like all companies, continues to deal with uncertainty in the external economic 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 plan, shows average Irish GDP growth of ~3% from 2019 to 2023, with rates increasing over the planning period.

2019-2020 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, low interest rates and the ongoing rebound in construction activity. We recently announced the introduction of transaction charging for 2019, which will provide a stable source of fee income, while giving customers choice. The low interest rate environment will continue to impact income growth on liabilities over the medium term.

Additionally, and in common with our peer banks in the Republic of Ireland, we will see increased costs arising from capital issuances.

A key part of our strategy is to normalise the level of non-performing loans on our balance sheet towards EU levels in the next two years. This will be delivered through a further asset sale, which we announced in Q3 2018, and an enhanced contact strategy to support customers in long term arrears. As a result, we expect to see an improvement in the capital position balanced against a reduction in net loans and income associated with non-performing loans.

A net impairment charge is expected in 2019 albeit the levels are dependent on the economic outlook which will be influenced by the Brexit outcome.

We are committed to reducing our operating expenses over the medium term, which will be supported by a normalisation of NPL levels, operational efficiencies and innovation in customer service. However, we are also continuing to invest in enhancing our risk and compliance structures to meet the rising regulatory and prudential agendas which will continue to weigh on our cost base.

Long term outlook (2021-2023)

Lending growth will continue, supported by a competitive customer proposition and growth in the wider credit market.

Interest rates are expected to rise in the outer years, which will result in a widening of margins and improvement in all key performance metrics.

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 planning period (subject to regulatory approval), while maintaining our strong capital position.

We are confident that we can deliver on our strategic ambitions, which will strengthen the Bank's profitability and returns. 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.

Do Good, Feel Good

An important part of the way we do things at Ulster Bank is our commitment to supporting charitable organisations and the vital work that they do.

In 2018 we raised over €230,000 / £203,075 for AWARE NI, Cystic Fibrosis Trust and Special Olympics Ireland as part of our annual Do Good, Feel Good programme.

In particular, we partnered with Special Olympics Ireland – a sports organisation for people with an intellectual disability that has become a pillar in communities across the island of Ireland. Colleagues across the Bank came together to fundraise, donate and volunteer in support of the Ireland Games 2018.



Risk overview

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

Ulster Bank operates an integrated Risk Management Framework (RMF) that facilitates effective risk management. The framework, which is centred around the embedding of a strong Risk Culture, ensures that the tools are in place to identify and manage both internal and external threats, including principal and emerging risks. Risk appetite, which defines the level and types of risk we are willing to accept, is set in line with our overall strategy and approved by the Bank's board.

An emphasis on prudent risk management has a key role in positioning Ulster Bank to prepare for, and respond to, developments in the wider competitive, economic and regulatory environment. Current and emerging risks, that could materially affect the delivery of the strategy, are identified and managed through our Risk Management Framework (RMF).

Progress in 2018

Ulster Bank continued to reduce risk and strengthen both the balance sheet and the capital position in 2018. While continuing progress against the Bank's strategic objectives, there was also a significant focus on a number of key themes. These included enhancing our Risk Management Framework, embedding a stronger Risk Culture, developing our Corporate Governance processes and Brexit.

Risk Management

Ulster Bank's Risk Management Framework (RMF) has been significantly enhanced during 2018 and is one of five Board approved Frameworks that form the pillars of the Bank's approach to risk management and controls – the other four being the Internal Control Framework (ICF), the Policy Management Framework (PMF), the Compliance Risk Framework (CRF) and the Risk Appetite Framework (RAF) – together the Frameworks.

The five re-designed frameworks were approved by the Board in Q3 2018 and have now been implemented across the Bank. The continued embedding of these in 2019 and beyond will be a key enabler in strengthening our risk culture and building a safe and secure bank for customers. These 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 the Bank. The RMF facilitates an understanding of the risks the Ulster Bank faces both strategically and in its day-to-day business activities. It also 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 the Bank's Executive Committee 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, our 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 within the Bank.

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

Risk Culture

As part of building a healthier culture across the Bank, we continue to embed a strong Risk Culture within Ulster Bank – one where risk is simply part of the way we work and think. This will help us to achieve our strategic goals with the right behaviours, supported by a sustainable Risk Management Framework.

The Bank's objective is to embed a risk culture that supports appropriate risk awareness, behaviours and judgements about risk-taking. Colleagues at all levels are responsible for the management of risk.

The Bank requires colleagues to exhibit behaviours that support a sound culture, including Risk Culture. These behaviours are Tone from the Top, Effective Communication & Challenge, Accountability and Motivation. These behaviours are aligned to Our Values and Our Code. Our Code provides guidance on expected behaviours and sets out the standards of conduct that

support the values. It explains how the values can affect and support decisions that are taken and describes the principles that must be followed.

Governance

Decisions relating to risk management are controlled through the governance structure of Ulster Bank. This includes the structure of Board and Executive committees, their roles and responsibilities for risk and compliance management, and governance. During 2018, this structure was simplified to reduce the number of committees below Executive committees to ensure clarity of roles and responsibilities for oversight of all material risk types.

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, and that the strategy of the Bank informs the understanding of the types of risk that we are likely to face.

Over the past year Ulster Bank's Corporate Governance Framework has been strengthened. These enhancements complement the Risk Culture programme, launched in 2016. The Bank's new risk, compliance and internal control frameworks, together with enhanced corporate governance processes, form essential building blocks in improving our overall culture.

Brexit

Brexit outcomes remain uncertain with a disruptive 'no deal' outcome still a real possibility. Ulster Bank preparations continue as part of the wider RBS plan and focus on being operationally ready for the UK's exit from the EU and the Bank's response planning, based upon a 'no deal' scenario, is currently on track.

The 'Frankfurt licence' (to enable Euro payment processing) was granted in early March 2019, meaning that our key payment risk is now centred on operational testing, which is reporting Green for delivery. Other key Brexit actions are focused on the elevated vigilance for any emerging credit issues and the continued roll-out of customer and internal communications.

In Q1 2019 Fitch downgraded the Bank's credit rating, placing Ulster Bank 'A-' Long-Term Issuer Default Rating (IDR) on its negative rating watch,

based on uncertainty around Brexit and the impact this could have on our parent, RBS. This should be viewed as a temporary and precautionary reaction to ongoing Brexit uncertainty – with Fitch noting that Ulster Bank's rating is driven by potential institutional support from RBS, acknowledging that it expects an extremely high probability of support from our parent if required, given the strategic importance of the Irish market to RBS.

Cyber Security

In an increasingly digital landscape across the industry, cyber security continues to be a priority issue in 2019. 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 with impending threats and incidents of a security nature.

The Ulster Bank Cyber & Information Security team works closely with the Response & Recovery Team and with the rest of Security, through the 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 remained a key area of focus during 2018. The Bank continues to monitor the external environment and developments that could affect or change UBIDAC's exposure to financial crime risk.

The Anti-Money Laundering (AML) control environment continues to be improved through enhancements to bank-wide policies, procedures and controls, taking into account the additional regulatory requirements implementing the Fourth Money Laundering Directive in Ireland through the commencement of the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act on 26th November 2018. A continued strong focus was maintained in terms of Customer Due Diligence standards. While progress was made during the year, more work is required and Ulster Bank continues on its journey to keep pace with regulatory and technology developments.

Anti-Bribery & Corruption (ABC)

Ulster Bank is committed to ensuring it acts responsibly and ethically, both when pursuing its own business opportunities and when awarding business. We continue to embed and improve bank-wide policies, procedures and controls to mitigate bribery and corruption risks, taking into account the new regulatory requirements



Risk-weighted assets (RWAs)

RWAs reduced by €3.58bn (18%), ending the year at €16.2bn (from €19.8bn in 2017). This reduction was driven by a loan sale reducing non-performing exposures and improving portfolio credit metrics.



Common Equity Tier 1 ratio

The CET1 ratio reduced by 300 basis points to 27.5% during 2018 remaining at a robust level following a dividend payment. The year end position remains well in excess of regulatory minimum and internal risk appetite levels.



Leverage ratios

The leverage ratio decreased by 470 basis points to 14.4% during 2018 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 FLB3 CET1 low-point stress capital ratio was 20.4% in 2022, at its lowest point – well above the Bank's proposed Stress CET1 Risk Appetite limit of 14.95%.



Liquidity and funding

Ulster Bank maintained a robust liquidity and funding risk profile in 2018. This is evidenced by regulatory Liquidity Coverage Ratio (LCR) of 191% at end 2018, an increase from 186% in 2017, and a liquidity buffer sufficient to withstand outflows from severe internal stress scenarios over a range of time horizons. Loan-to-deposit ratio was 104% at 31 December 2017, compared with 110% in 2017. Ulster Bank also placed €1bn residential mortgage backed secured issuance in the market during 2018, further improving its funding profile.



Impairment loss

The impairment loss of €23 million in 2018 under IFRS 9 (2017 - €68 million under IAS 39) primarily reflects the impact of the Group's ongoing strategy to reduce non-performing loans towards normalised levels through external debt sales with a focus on mortgages that are not sustainable and where additional forbearance will not bring them back to a performing position. As permitted by IFRS9 prior year figures have not been restated and consequently are not directly comparable.

introduced with the commencement of the Criminal Justice (Corruption Offences) Act 2018 on 30th July 2018.

Open Banking

The Payment Services Directive (PSD) 2 regulation and Competition & Markets Authority initiative will provide consumers with more choice and more control over their money and financial information by making it easier to compare the details of current accounts and other banking services.

Open Banking describes the future banking landscape; where customers can authorise registered third parties to access their transaction data and initiate payments on their behalf. Third parties (and banks) will be able to offer compelling new propositions ranging from simply presenting the customer's data in aggregate form across product providers, through to price comparison and payment initiation. All EU-regulated banks must facilitate customers sharing their financial information with authorised providers offering these

services. Work is ongoing to achieve compliance with Open Banking standards and the PSD2 regulation.

Asset quality

Ulster Bank made good progress in 2018 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 disposal of a portfolio of non-performing loans with a gross value of c.€1 billion was executed during the financial year. This contributed to a reduction in the Bank's non-performing loan ratio from 16.7% at 31 December 2017 to 11.3% at 31 December 2018. A further portfolio of non-performing loans is being considered for sale during 2019. Realising these assets over shorter timeframes reduces the value that the Bank can expect to recover and therefore additional impairments were recognised.

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.

<p>Macro-economic and political risks</p> <p>Ulster Bank remains vulnerable to changes and uncertainty in the external economic and political environment, which have intensified in the past year. Whilst the domestic economic environment remains positive against most indicators, continued vigilance is required as Ireland's open economy is vulnerable to Eurozone and global shocks, including trade wars. Brexit risks are considered under a separate top risk.</p> <p>Brexit aside, US and Euro tax policy strategies should be closely monitored given the potential implications for future Foreign Direct Investment and multi-national participation in Ireland, which may impact corporation tax receipts. Domestic political volatility is likely to increase as the next general election approaches (by April 2021), but ultimately government policy is unlikely to deviate significantly or threaten economic and fiscal management.</p>	<p>Mitigation</p> <p>Stress testing and scenario planning are used extensively to inform strategic planning and risk mitigation relating to a range of macroeconomic and political risks. The scenario identified as most likely to have a potentially material negative impact on Ulster Bank and the wider Irish economy is Brexit – in particular a disruptive or 'no deal' Brexit.</p>
<p>Brexit</p> <p>Brexit is likely to result in a meaningfully negative and permanent hit to the Irish economy, with potential economic, regulatory and operational impacts to Ulster Bank and other financial institutions. Impacts would be most pronounced in the event of a disruptive Brexit, with a high degree of uncertainty around future economic and regulatory relationships.</p> <p>Even allowing for Brexit impacts, the baseline Irish economic outlook is expected to remain broadly favourable over the longer term.</p>	<p>Mitigation</p> <p>As mentioned above, stress testing and scenario planning are used extensively within the bank to inform strategic planning and risk mitigation. The Bank has extensive contingency plans in place in the event of a no deal Brexit. We are very confident of being able to continue to serve and support our customers should this event arise.</p>
<p>Failure to grow</p> <p>Our core target markets are highly competitive, which poses challenges in terms of delivering the required levels of income and margin growth over the medium term to ensure viability. Mitigating this risk is highly dependant on Ulster Bank building a highly customer-focused business, backed by a strong organisational culture and control environment.</p>	<p>Mitigation</p> <p>Ulster Bank monitors the competitive environment and associated regulatory, technological developments and makes adjustments as appropriate – to meet customer needs and grow our business sustainably.</p>
<p>Impact of cyber attacks</p> <p>Cyber attacks are increasing in frequency and severity across the industry. Large scale cyber attacks have the potential to materially disrupt our ability to operate and damage our reputation for protecting our customers. Ulster Bank, via our parent RBS, has participated in industry-wide cyber attack simulations in order to help test and develop defence planning.</p>	<p>Mitigation</p> <p>Ulster Bank, via our parent RBS, has participated in industry-wide cyber attack simulations in order to help test and develop defence planning.</p>
<p>Failure of IT systems</p> <p>Our reliance on RBS core IT systems and infrastructure, which are complex, carries an inherent risk to the Bank's business resilience and stability. Material failure of key RBS systems or services that are critical to Ulster Bank could result in major disruption to our business activity and customers.</p>	<p>Mitigation</p> <p>To mitigate this risk a major investment programme, underway since 2012, has significantly improved the resilience and sustainability of the Bank's IT systems. Further progress is expected as we continue to simplify and modernise our infrastructure and applications. The Bank has a robust outsourcing agreement in place with RBS to manage the provision of IT systems and infrastructure with clear Service Level Agreements established.</p>

Making a difference for the environment

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

Equator Principles

As a subsidiary of RBS, we have signed up to the Equator Principles – a voluntary set of standards adopted by banks for assessing and managing social and environmental responsibilities in project financing. We will not provide project finance to borrowers who cannot comply with the Equator Principles.

Low Carbon Pledge

How we do business plays an important part of the global effort to reduce climate change.

To formalise our commitment and stand with like-minded businesses, Ulster Bank has 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.

Reducing our direct operational footprint

We fully support the Paris Climate Agreement and our emissions reduction targets are grounded in the climate science that underpins this agreement. RBS has set a 2020 group target of reducing direct carbon emissions by 45% from a 2014 baseline. The below table provides more detail about Ulster Bank Ireland DAC's emissions.

Greenhouse Gas (GHG) Emissions	2014 (Baseline)	2017	2018
Location-based CO2e emissions (Scope 1, 2 & business travel) (tonnes)	8,907	5,695	5,422
Scope 1* CO2e emissions (tonnes)	1,039	860	877
Scope 2** Location-based CO2e emissions (tonnes)	7,868	4,834	4,544
Location-based CO2e emissions per FTE (Scope 1, 2 & business travel) (tonnes)	1.41	2.11	2.17
Total energy use (GWh)	22.21	14.43	13.95

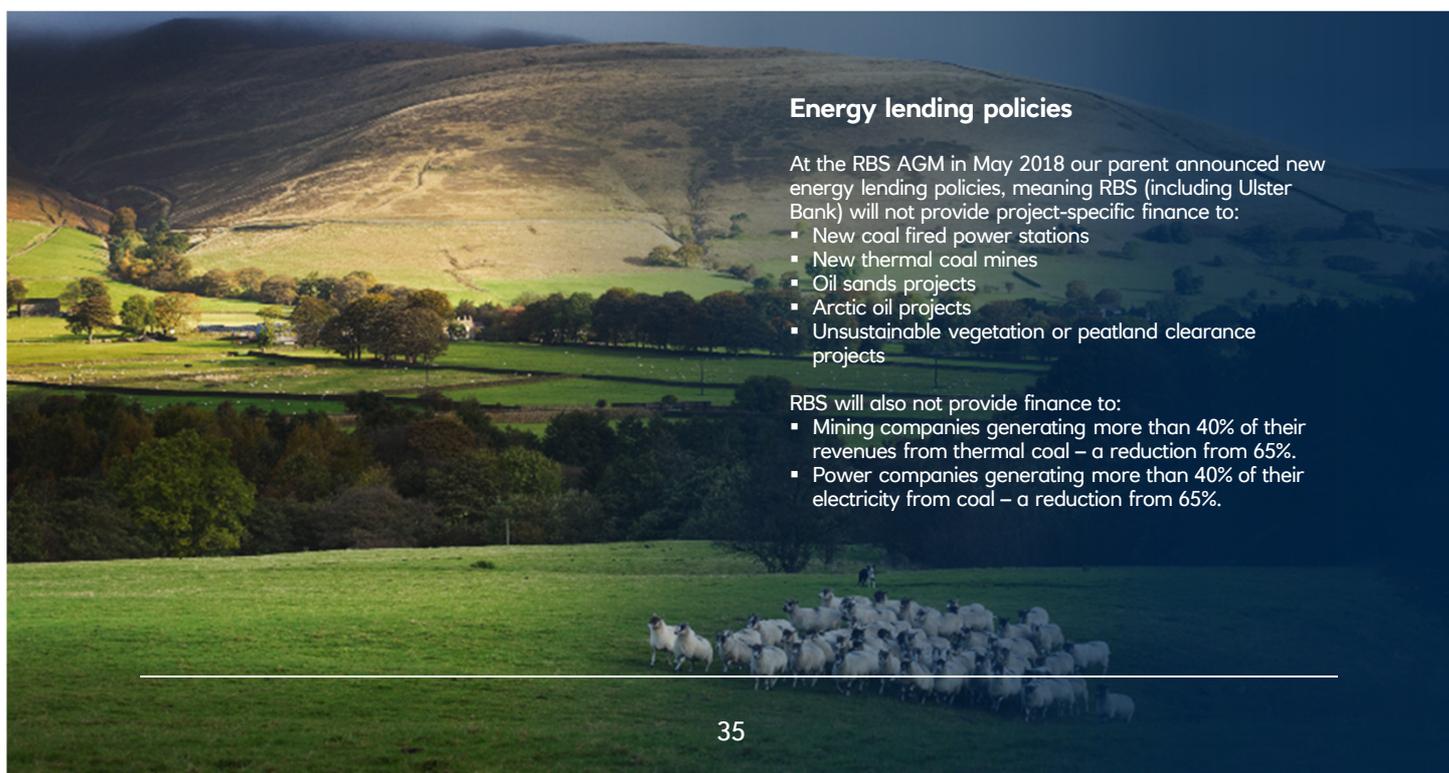
Independent limited assurance of total reported emissions in tonnes of CO2e has been provided by Ernst & Young LLP. Our reporting year runs from October 2017 to September 2018.

*Scope 1: Emissions from fluorinated gas loss and fuel combustion in RBS premises/vehicles.

**Scope 2: Emissions from electricity in RBS premises.

These emissions are calculated using The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard revised edition (2004). The emissions reporting boundary is defined as all entities and facilities either owned or under operational control. Emissions factors used are from UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting (BEIS,2018), CO2 Emissions from Fuel Combustion (IEA,2017) or from relevant local authorities as required.

Our parent, RBS, at a group level has also set 2020 targets to reduce water use by 10% and paper use by 60%, while continuing to target 0% waste to landfill. We continue to engage both our colleagues and suppliers to achieve these goals.



Energy lending policies

At the RBS AGM in May 2018 our parent announced new energy lending policies, meaning RBS (including Ulster Bank) 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

RBS 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 at a glance

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

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. Comprises 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. Comprises at least three members who are all non-executive directors, with a majority of independent non-executive directors.

Sustainable Banking Committee

Provides support 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. Comprises 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. Comprises 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. Comprises 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. Comprises 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.

Executive Risk Committee

Comprises the Bank's senior executives, the directors and function heads of Risk and Compliance, and supports the Chief Executive Officer in managing the Bank's risk strategy, policy and risk management matters across Ulster Bank. The committee has delegated authority from the Executive Committee and reports to the Board Risk Committee.

Board of directors

Chairman

Des O'Shea

Executive directors

Jane Howard
Paul Stanley

Non-executive directors

Helen Grimshaw

Independent non-executive directors

Dermot Browne
Richard Holmes
Martin Murphy
Rosemary Quinlan
Gervaise Slowey

Company secretary

Andrew Nicholson

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 2018 – a Customer Remediation Committee, to focus on policy and remediation, and a Board Oversight Committee, established to oversee enhancements to the governance and risk management practices in the Bank. The Board Oversight Committee was disbanded on 31 December 2018. Both committees comprised a mix of executive, non-executive and independent non-executive directors.

2018 Performance Evaluation

In 2018 the Board and committee evaluation process was conducted by Deloitte and overseen by the Company Secretary.

Deloitte undertook a formal and rigorous evaluation by:

- Holding 1:1 interviews with Board members;
- Facilitating a series of online questionnaire;
- Discussing the key themes and recommendations for action with the Chairman and Committee Chairmen; and;
- Presenting to the Board.

