

# Ulster Bank Investor Roundtable

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Jim Brown, Chief Executive Officer, Ulster Bank Group

2<sup>nd</sup> July 2013

# Important Information

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Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'believes', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: Ulster Bank Group's (Group) restructuring plans, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; certain ring-fencing proposals; sustainability targets; regulatory investigations; the Group's future financial performance; the level and extent of future impairments and write-downs, including sovereign debt impairments; and the Group's potential exposures to various types of political and market risks, such as interest rate risk and foreign exchange rate risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group and its parent, RBS Group, in particular; the ability to implement strategic plans on a timely basis, or at all, including the disposal of certain Non-Core assets and of certain assets and businesses required as part of the State Aid restructuring plan; organisational restructuring in response to legislative and regulatory proposals in the Republic of Ireland (ROI), United Kingdom (UK), European Union (EU) and United States (US); the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; litigation, government and regulatory investigations; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by the Group and RBS Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group and RBS Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the ROI and the UK and other countries in which the RBS Group operates or a change in government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in ROI, UK and other foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the implementation of recommendations made by the Independent Commission on Banking and their potential implications and equivalent EU legislation; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of the RBS Group; insurance claims; reputational risk; the ability to access the contingent capital arrangements with HM Treasury; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the RBS Group's activities as a result of HM Treasury's investment in the RBS Group; and the success of the Group and RBS Group in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and neither the Group or RBS Group undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

# Today's speakers

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**Jim Brown**  
*Chief Executive Officer*

*2 yrs in post (6 yrs with RBS)  
25 yrs industry experience*



**Stephen Bell**  
*Chief Risk Officer*

*1 yr in post (1 yr with RBS)  
26 yrs industry experience*



**Richard Harding**  
*Chief Financial Officer  
(Acting)*

*1 yr in post (14 yrs with RBS)  
20 yrs industry experience*



**Simon Barry**  
*Chief Economist,  
Republic of Ireland*

*4 yrs in post (6 yrs with RBS)  
17 yrs industry experience*

# We have built an experienced management team to deliver the strategy

										
Executive:	Jim Brown	Richard Harding	Stephen Bell	David Thomas	Ellvena Graham	Richard Donnan	Steve Daniels	Bobbie Bergin	Joy McAdam	Christian Pierce
Role:	<b>Chief Executive</b>	<b>Chief Finance Officer (Acting)</b>	<b>Chief Risk Officer</b>	<b>Managing Director, Corporate Markets</b>	<b>Chief Operations Officer</b>	<b>Managing Director, Retail Markets</b>	<b>Head of Human Resources</b>	<b>Head of Comms &amp; Corporate Affairs (C&amp;CA)</b>	<b>Head of Global Restructuring Group</b>	<b>Head of Strategy</b>
Appointment Date:	Date in role: April 2011 Joined RBS: 2007	Date in role: <b>August 2012</b> Joined RBS: 1999	Date in role/Joined RBS: <b>March 2012</b>	Date in role: <b>October 2011</b> Joined RBS: 2004	Date in role: <b>September 2011</b> Joined RBS: 1982	Date in role: <b>January 2011</b> Joined RBS: 1989	Date in role: <b>July 2009</b> Joined RBS: 1973	Date in role: <b>January 2009</b> Joined RBS: 1983	Date in role: <b>January 2012</b> Joined RBS: 2002	Date in role/Joined RBS: <b>February 2012</b>
Background:	<b>Chief Executive Officer for Retail and Commercial Markets in Asia and Middle East</b> ABN AMRO Citibank	<b>Treasurer - RBS Asia Pacific</b> <b>Treasurer - Corporate Banking Division</b> Head of Capital Raising, RBS Group Treasury	<b>PWC – Acting CRO, Allied Irish Bank</b> <b>Director, Risk – Business support and recoveries (Western Europe), Barclays</b>	<b>CRO for Corporate Markets; Group Risk</b> KPMG Societe Generale and Barclays	<b>Head of Business Services Ireland</b> COO Corporate Banking and Financial Markets	<b>Managing Director, Personal Banking Retail Markets</b>	<b>HR Director roles in a range of Areas across RBS including, GBM, CBFM and Retail Banking</b>	<b>Comms &amp; Corp Services</b> Group Secretary First Active General Manager Ops & HR First Active	<b>PWC - Corporate Restructuring &amp; Insolvency</b> <b>RBS - Recoveries &amp; litigation team</b> <b>RBS – Head of GRGI</b>	<b>Principal Strategy Consulting, Bain &amp; Co.</b>

 New to role in last 3 years

# Agenda

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Introduction and Strategy

Macroeconomic Environment

Financial Performance & Outlook

Asset Quality

Summary

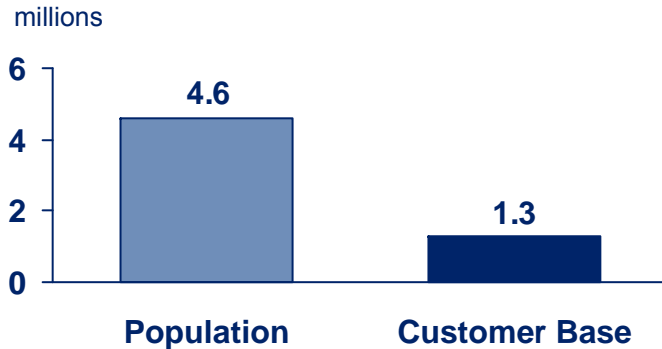
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# Introduction & Strategy

Jim Brown, Chief Executive Officer, Ulster Bank Group

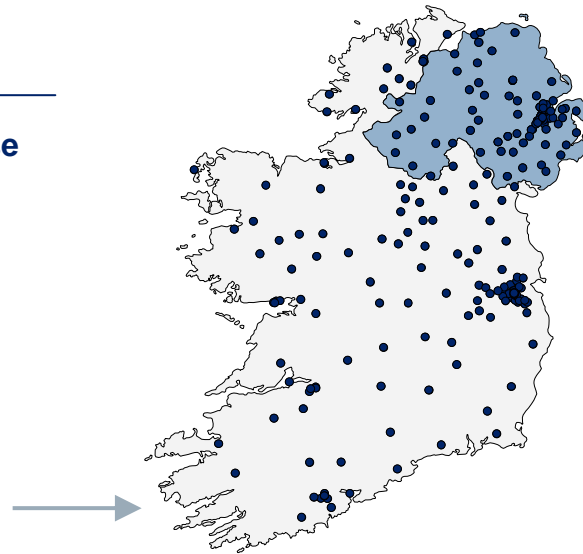
# 177 years of heritage on the island of Ireland; Ulster Bank on the outside, RBS on the inside

## Republic of Ireland #3 player

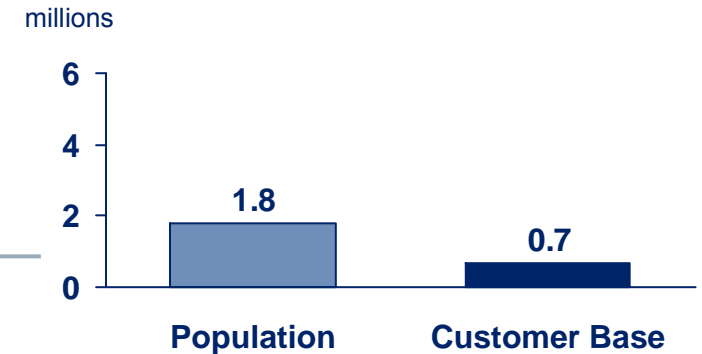


### Business Profile

- Ulster Bank has 1.3m customers
  - Retail (1.26m)
  - Corporate (80k)
- 135 Branches & 840 ATMs
- Retail Product Penetration 1.93
- Corporate Product Penetration 2.24 (products per customer)



## Northern Ireland #1 player



### Business Profile

- Ulster Bank has 718k customers
  - Retail (670k)
  - Corporate (48k)
- 79 Branches & 260 ATMs
- Retail Product Penetration 2.00
- Corporate Product Penetration 1.95 (products per customer)

# Executive summary

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- **The macro-economic environment across the island of Ireland has shown improvement**
- **Investor confidence in Ireland is returning**
- **Banking sector continues to restructure** with exits, job losses/branch closures announced
- **Deposit market/pricing appears to be normalising** despite removal of ELG<sup>1</sup> scheme
- **We are executing on our strategy to create a “really good bank” whilst tackling legacy issues**
- **Over the past 2 years, we have made solid progress on the Core bank**
  - Improved LDR from 152% to 127%
  - Widened margins
  - Implemented £65m (12%) in cost reductions
- **Our strategic plan will deliver a smaller, lower cost & profitable bank**
  - Target C:I ratio  $\leq 50\%$ , RoE  $>5-10\%$  medium-term,  $\geq 12\%$  long-term

<sup>1</sup> Eligible Liabilities Guarantee



# We have a clear strategy to create a **Really Good Bank** whilst tackling **Legacy issues**

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## Create a customer centric, sustainable Really Good Bank

Target growth in sectors/segments that leverage our competitive advantage

Reshape distribution

Drive deposit growth

Improve margins and fees

## Maximise value of Legacy loans

Build out collections & recovery

Develop asset management capabilities

Remove ongoing stranded costs

Simplify operating model and leverage RBSG capabilities and programmes

Actively manage risk

Optimise capital

Engaged & committed people

# Retail strategy: Deepening relationships with Mass Retail and driving share with Mass Affluent customer segments

How we're going to position ourselves

- Deepen relationships with Mass Retail primary/secondary customers
- Focus on continuing to accelerate Mass Affluent market share growth

Leverage the RBS Group to build a market leading proposition

Re-shape distribution

- Points of presence where and when our customers need us
- Rationalised branch footprint
- Increased customer self-service

Understand customers and deepen relationships

- Improved customer data and analytics
- Full suite of simple, relevant products
- Knowledgeable, accredited staff delivering quality service

Put the Customer at the heart of every interaction

- Easier everyday banking
- Single view of customer
- Optimised processes to deliver the right outcomes for customers

# Corporate Strategy: Lowering cost to serve through direct service model, driving sectoral expertise/propositions to deepen relationships

How we're going to position ourselves

- **Serve customers segments with appropriate direct / relationship managed models to optimise offering for customer and overall cost base**
- **Build sectoral expertise/specific propositions to drive new lending across target sectors**

Leverage the RBS Group to build a market leading proposition

Re-shape distribution

- **Distribution aligned to meet customers' needs through both direct and relationship manager models**

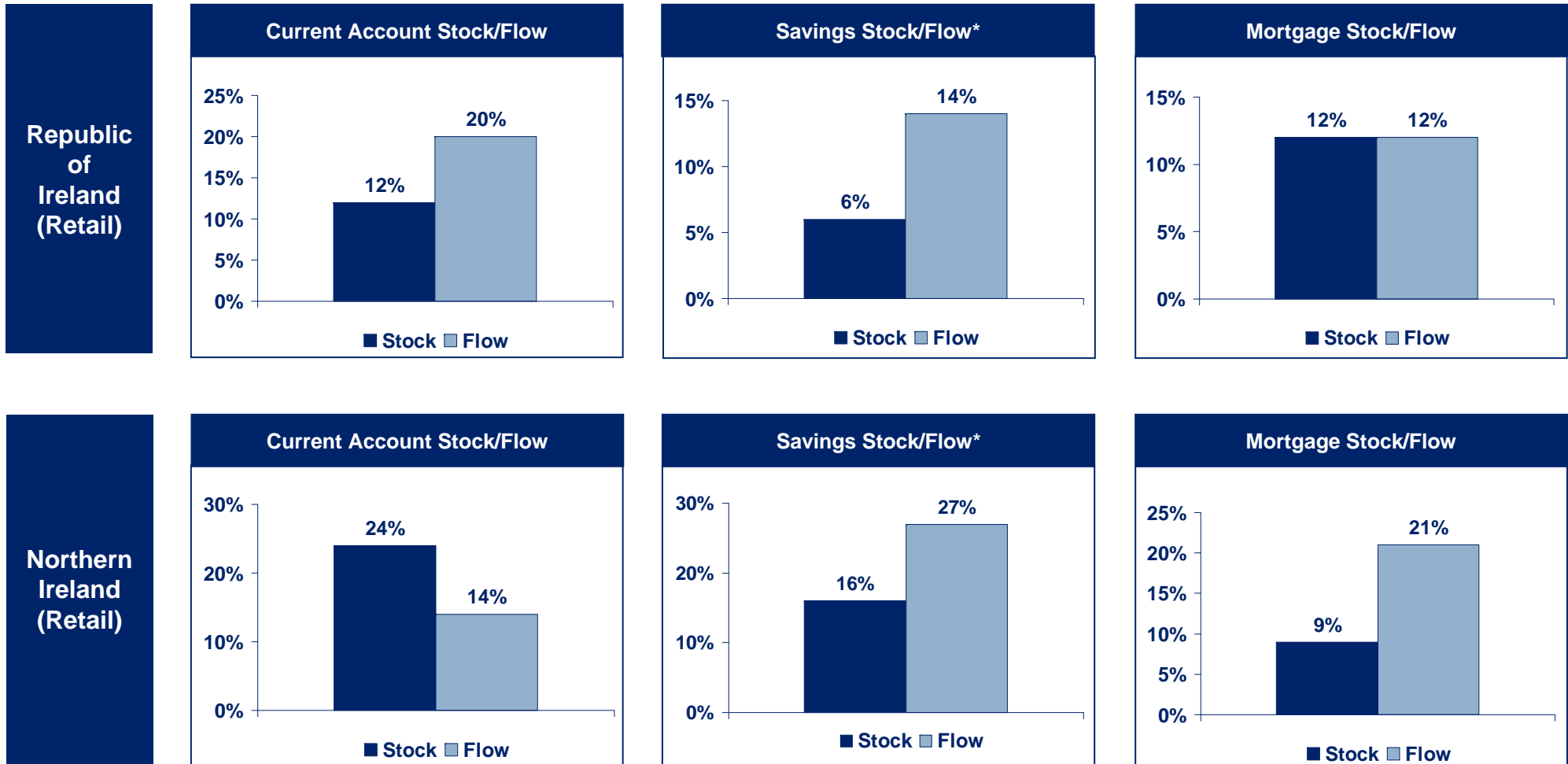
Understand customers and deepen relationships

- **Knowledgeable and accredited workforce**
- **Improved customer data analytics**

Put the Customer at the heart of every interaction

- **Fast (automated) response on credit decisions**
- **Optimised processes to deliver the right outcomes for customers**

# Ulster Bank's flow shares exceed stock across most major products



Market Share and Customer Satisfaction Source: Ipsos Mori MFS Q1 2013 Survey (sample taken Jan-Mar 2013).

NPS Source: Q1 2013 Coyne Research (sample taken Jan-Mar 2013).

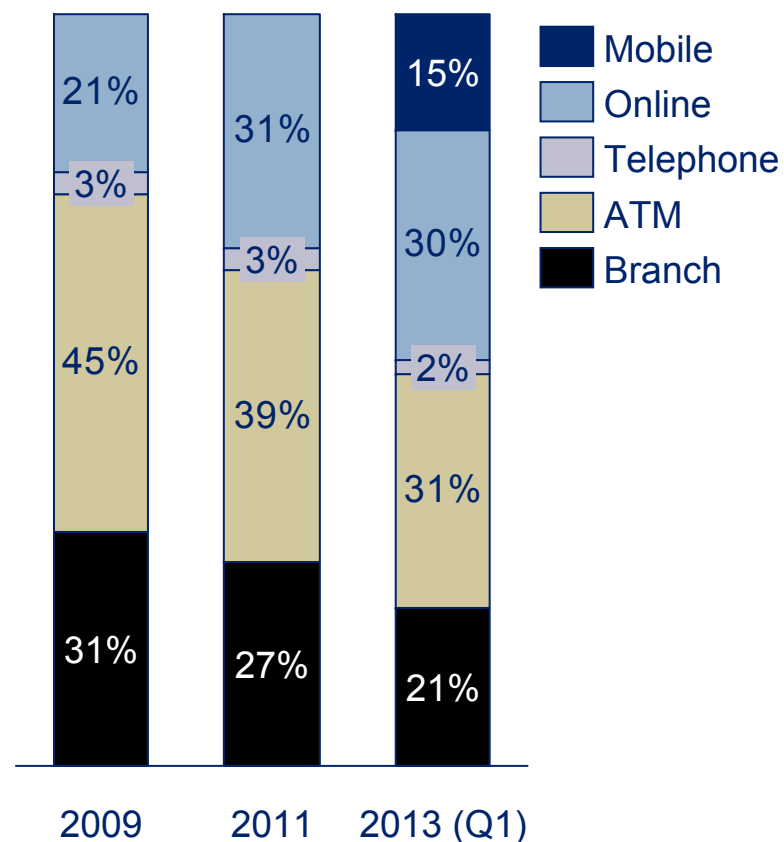
\* Note – data refers to volume of accounts and not value

## Retail Strategy: Continue to invest in our digital offering – increasing penetration/usage across transaction and account opening

### Highlights

- Online is a key distribution channel, attracting volume from higher cost channels
  - Active online banking customers up 11% to ~400k
  - Total digital transactions increased to 46% in Q1 2013, with branch transactions now making up only 21% of overall transactions
  - Online sales increased from 10% (2011) to 16% (2012)
- We continue to invest in digital to give our customers smarter banking when and where they need it
  - 'Pay your Contacts'
  - 'Get Cash'

### Transactions by channel



## Huge progress made. Clear targets set

Core performance indicators	Worst point	Q113	Target
Loan : deposit ratio (net of provisions)	191%	127%	c.100%
Intra Group Line (gross)	€15.9bn	€2.7bn	Nil
NIM	1.67%	1.85%	>2.15%
Cost : income ratio	84%	63%	≤50%
Return on equity	(40%)	(14%)	≥12%
Net Promoter Score	(54)	(17)	+5
Staff engagement/leadership index	32/51	70/60	>80/75

# Ulster Bank Group will evolve its operating model and organisation to become simpler and more efficient

2012

- UBG structured along **three business lines**:
  - Retail
  - Corporate
  - Non-core/GRG, **supported by functions**
- **238 branches** across the island of Ireland
- Broad and **locally customised product offering** across all segments in retail and corporate
- **Low level of automation** and abundance of **processes** requiring manual work-arounds
- **Inflexible IT platform(s)** with additional complexity driven by reliance on several legacy systems
- Large (~5.8k FTE), multi-layered **organisation** with narrow spans (~6) and **multiple dimensions** of structure

By end 2014

- Core bank reaches breakeven. Legacy/Non-core portfolios and stranded costs **separated from Future Bank** and managed in line with Non-core principles
- **Streamlined footprint** of ~175-185 branches focused on urban centres and with reduced staffing level
- **Simplified product range** targeted at focus segments and heavily leveraging UK Retail and Corporate propositions
- Majority of core **processes optimised** and supported by **tactical automation solutions**
- **More flexible IT platform**; selected legacy systems replaced
- **Simplified organisational structure** with fewer layers and extended average span of control

By 2016

- **UBG restored to profitability** and on a moderate growth path; **residual legacy/Non-core portfolios materially reduced** and stranded costs eliminated
- Majority of transactions performed via **direct channels** and **next generation 'lite' branches and kiosks**
- Product range across NI/RI that is **largely identical with GB** product set and **optimised for direct distribution**
- Heavy reliance on **straight-through processing** by leveraging technology investments made in mainland UK
- **Modernised and more integrated IT infrastructure** with some reliance on legacy systems
- Significantly **smaller organisation** (~4-4.5k FTE) with highly efficient and **effective decision-making** processes

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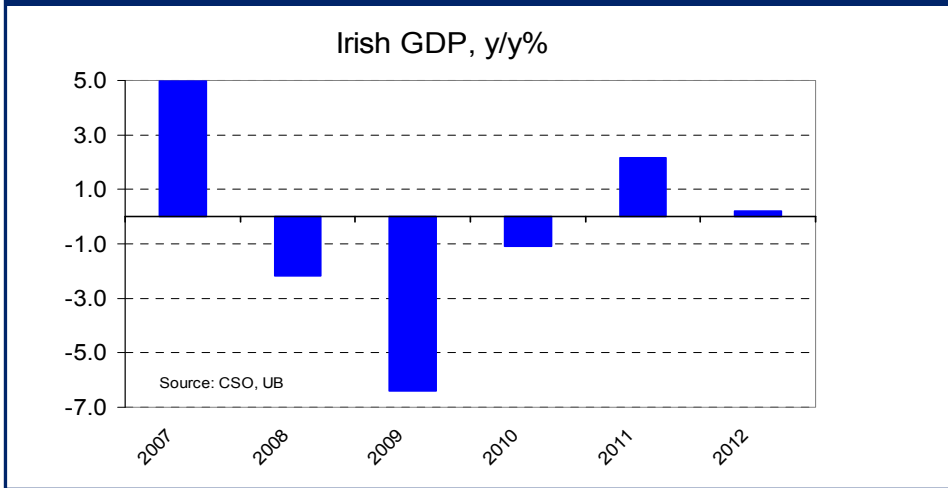
# Macroeconomic Environment

Simon Barry, Chief Economist, Ulster Bank Group

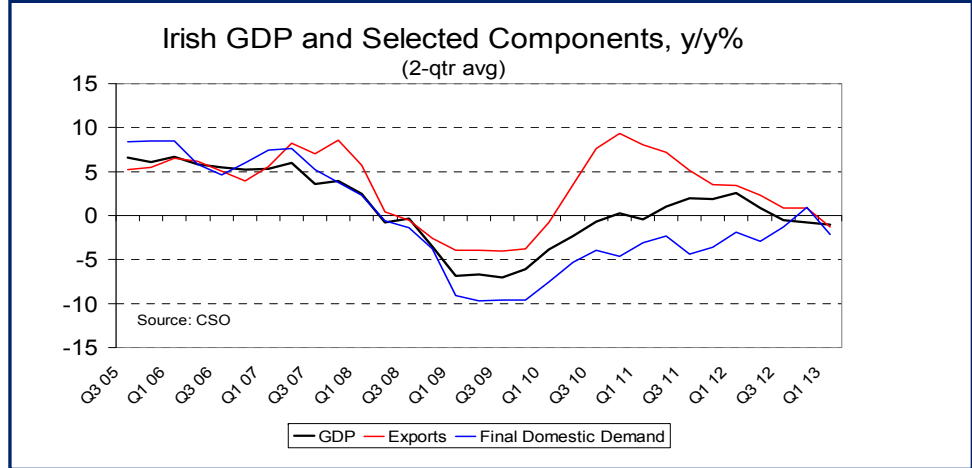


# Cautiously optimistic as RoI economy returns to growth over 2011/12

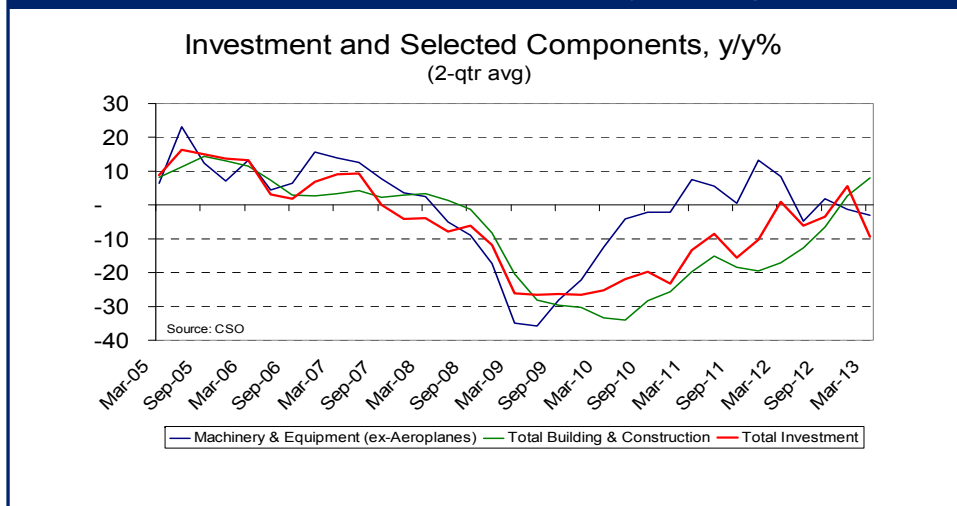
## GDP growth returned to positive territory in '11 and '12



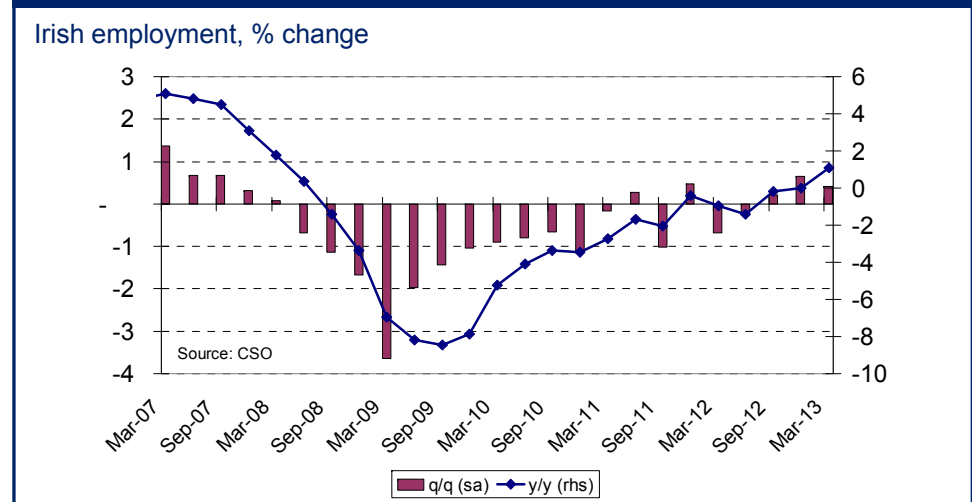
## Exports have weakened but domestic demand less of a drag



## Investment slump is finally easing

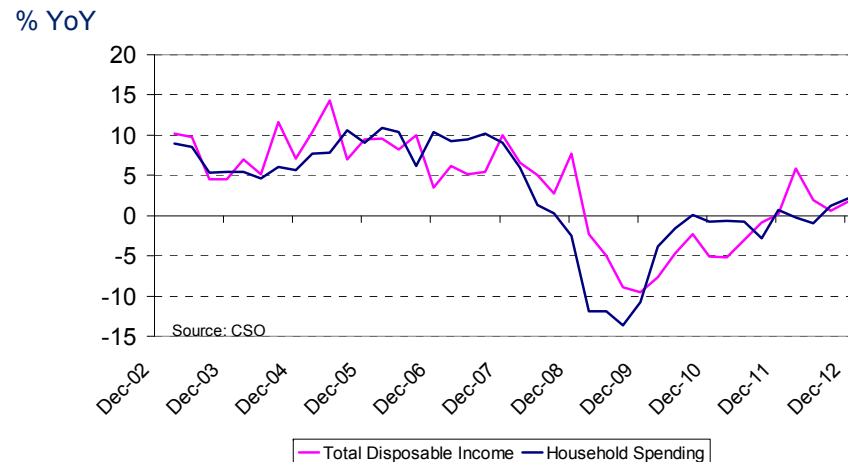


## Tentative improvement in the jobs market

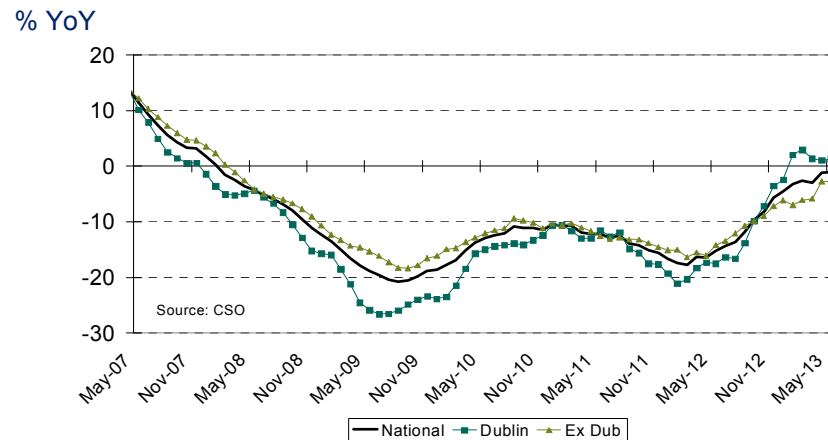


# Consumer spending and house prices trends have shown clear improvement, but remain fragile

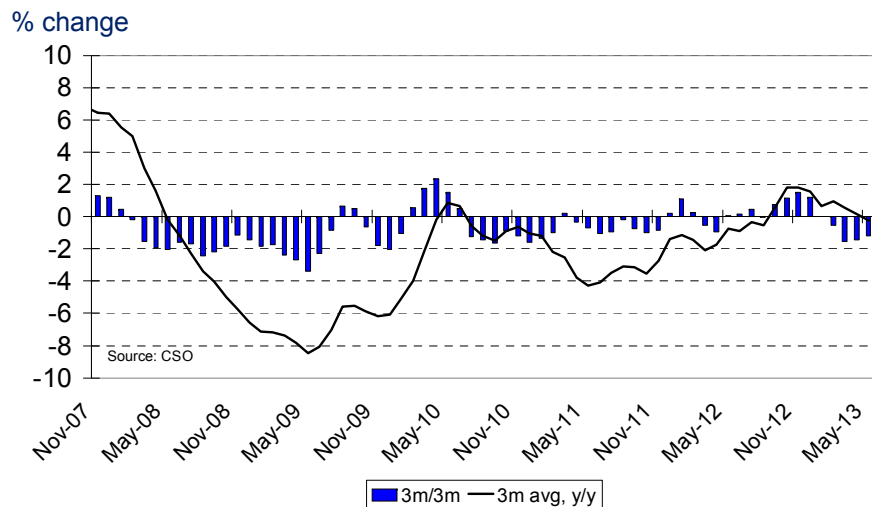
## Household income and spending (nominal)



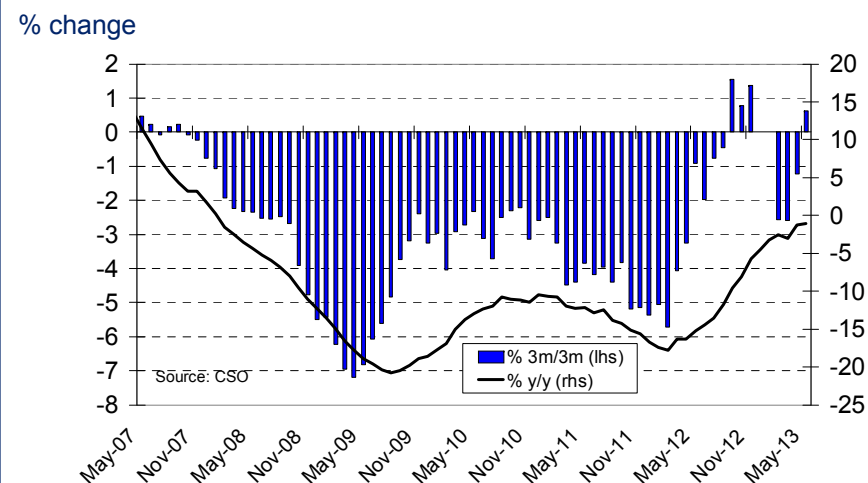
## Residential property prices



## Core retail sales volumes

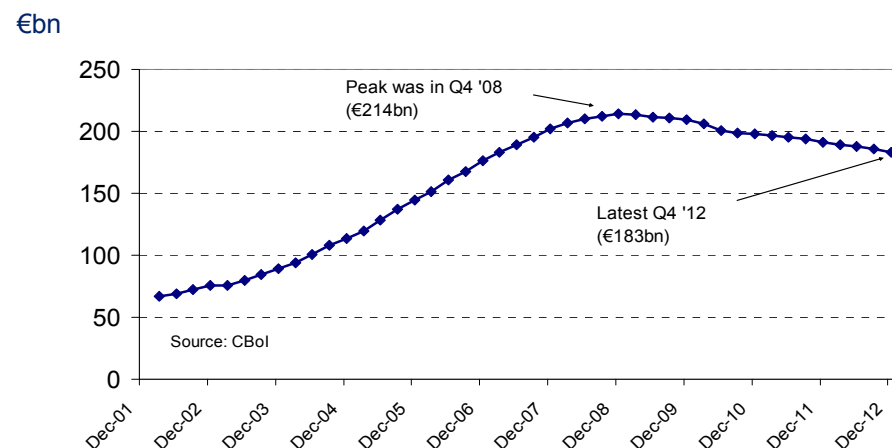


## National residential property prices

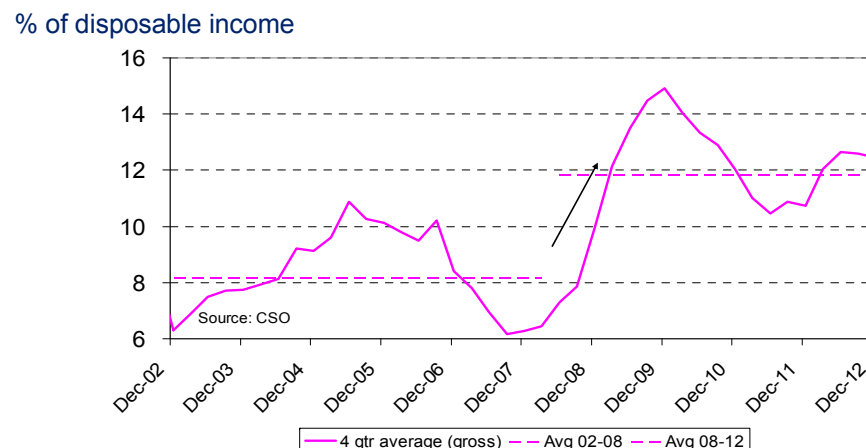


# Important structural and budgetary headwinds remain

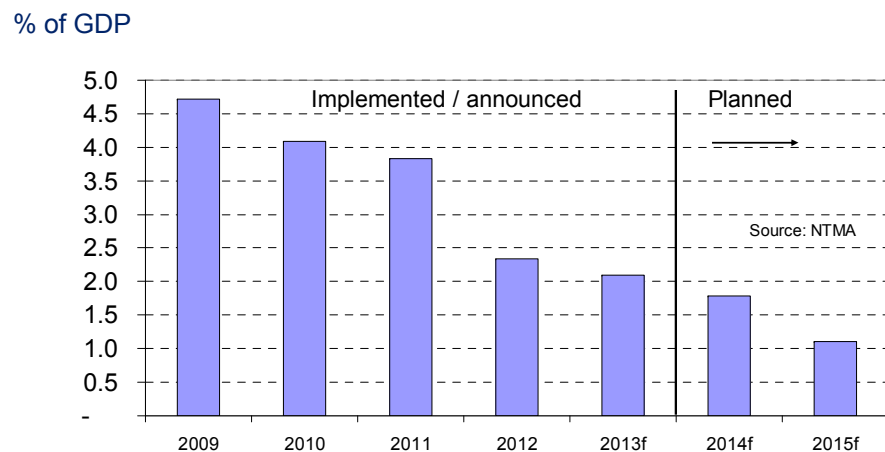
## Irish household liabilities



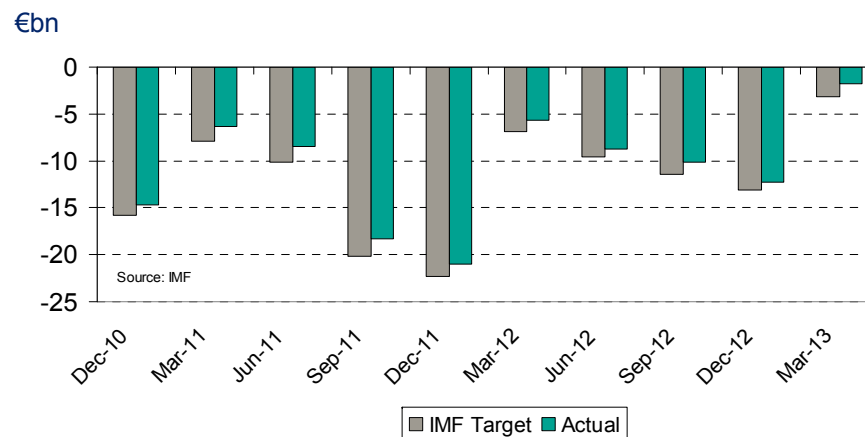
## Household savings rate



## Planned fiscal consolidation to 2015

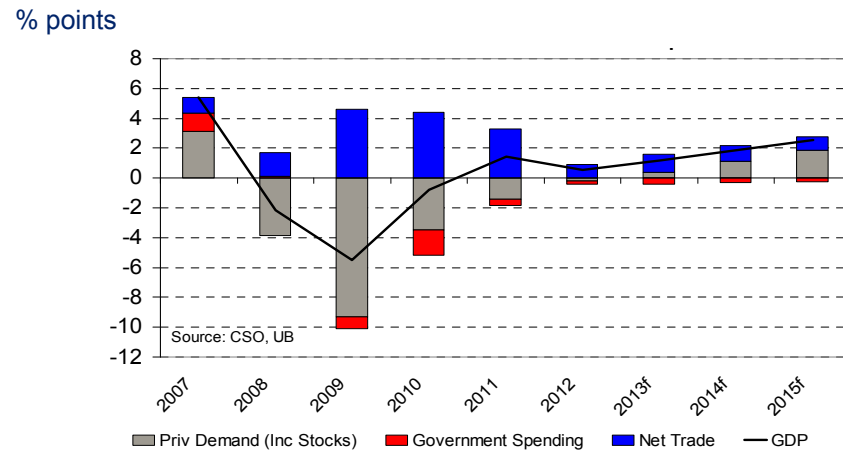


## EU/IMF deficit targets – performance vs. benchmark

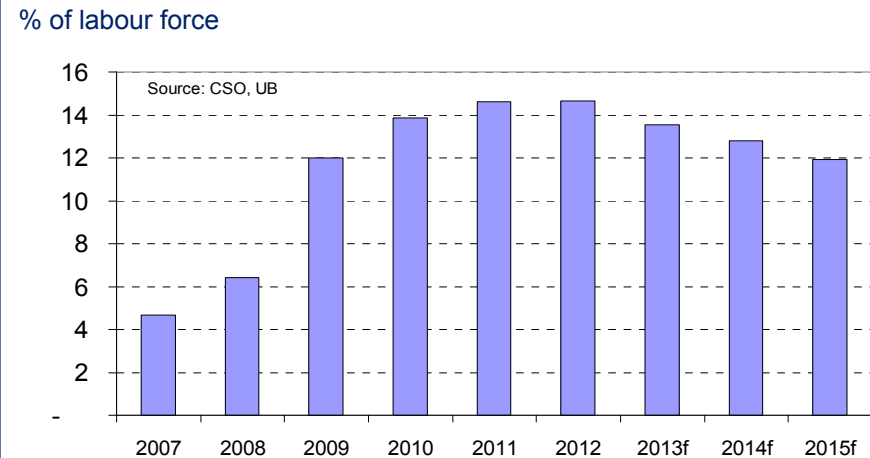


# Ireland outperforming the wider eurozone, but the overall balance of risks to growth remains tilted to the downside

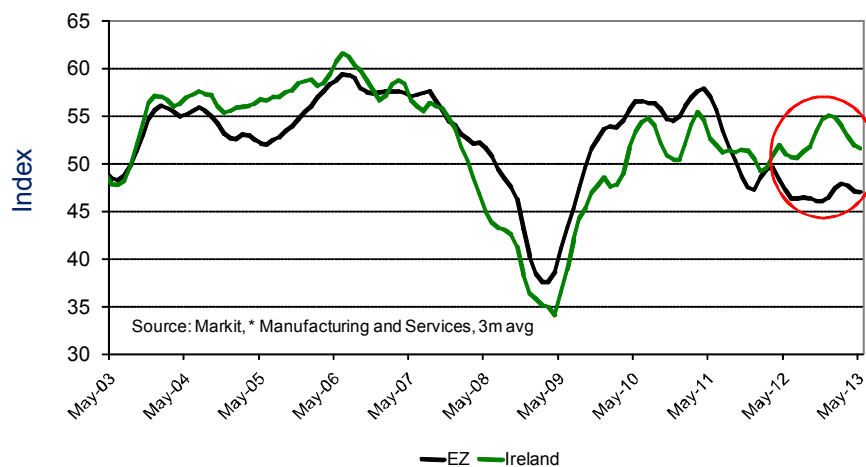
## Contributions to GDP growth



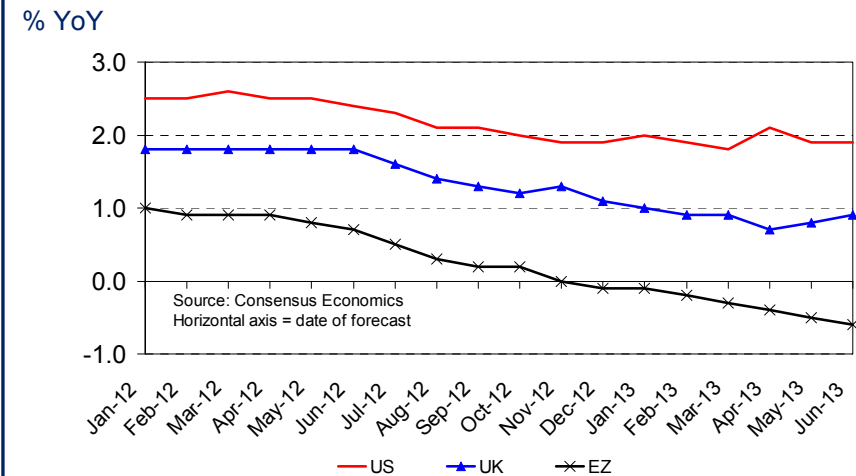
## Unemployment rate



## Composite PMI: Ireland vs. Eurozone

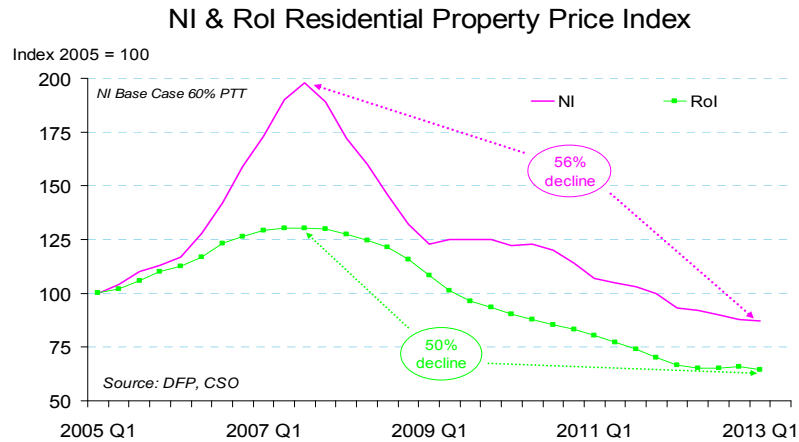


## Evolution of GDP forecasts for 2013

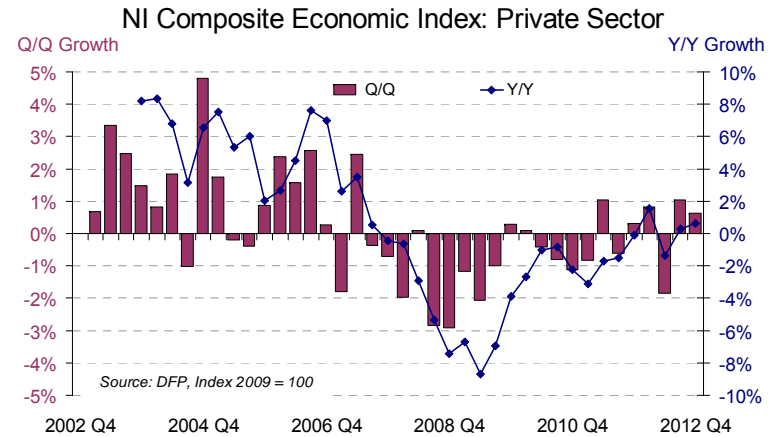


# Tentative recovery underway in Northern Ireland, but growth set to lag the UK

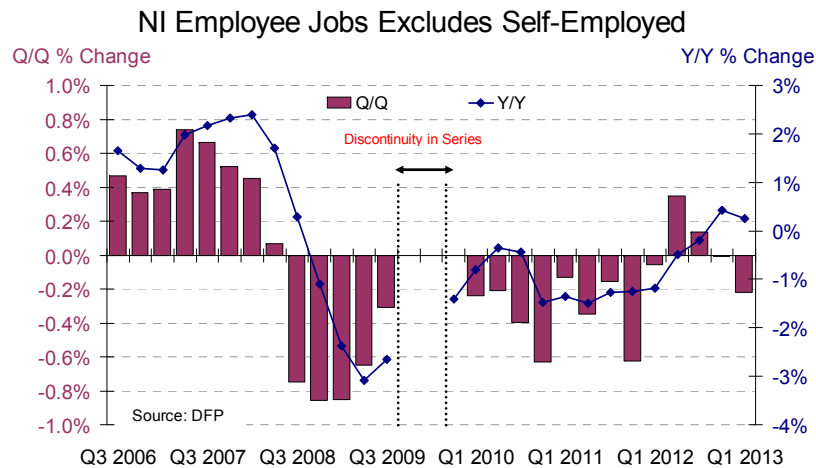
## NI & ROI residential property price index



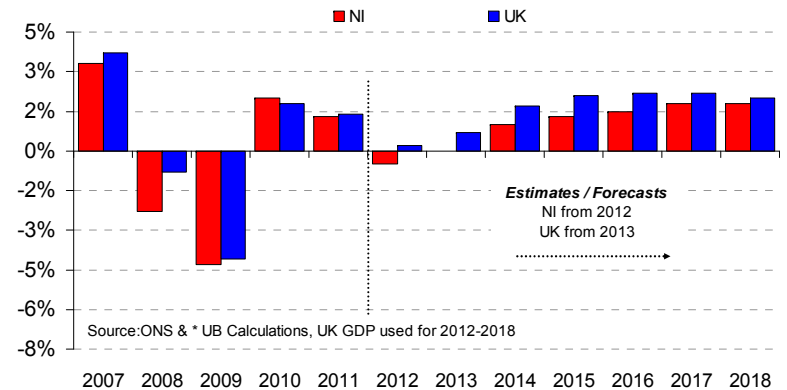
## Some signs of a private sector recovery



## NI Employee Jobs Quarterly Change



## NI vs. UK Real Economic Growth



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# Financial Performance & Outlook

Richard Harding, Chief Financial Officer (Acting), Ulster Bank Group

# Geographical & Divisional Analysis for FY 2012

## Geographical Analysis

	Ulster Bank (Core)		
	FY 12	RI	NI
	£m	£m	£m
<b>Income</b>	845	590	255
<b>Expenses</b>	(521)	(367)	(154)
<b>Profit Before Impairment</b>	324	223	101
<b>Impairments</b>	(1,364)	(1,151)	(213)
<b>Operating Profit</b>	(1,040)	(928)	(112)
<b>Gross Loans &amp; Advances</b>	32.6	26.6	6.0
<b>Customer Deposits</b>	22.1	15.4	6.7
<b>LDR (Net)</b>	130%	152%	80%
<b>NIM</b>	1.88%	1.63%	3.06%
<b>C/I Ratio</b>	62%	62%	60%

- 67% RI, 33% NI from revenue and cost perspective
- While overall LDR is 130%, there is a mismatch between RI and NI. Deposits are a continued focus for RI
- Tracker mortgage book depressing margin in RI

## Divisional Analysis

	Ulster Bank (Core)		
	FY 12	Corporate	Retail
	£m	£m	£m
<b>Income</b>	845	422	423
<b>Expenses</b>	(521)	(226)	(295)
<b>Profit Before Impairment</b>	324	196	128
<b>Impairments</b>	(1,364)	(665)	(699)
<b>Operating Profit</b>	(1,040)	(469)	(571)
<b>Gross Loans &amp; Advances</b>	32.6	12.6	20.0
<b>Customer Deposits</b>	22.1	10.9	11.2
<b>LDR (Net)</b>	130%	96%	163%
<b>NIM</b>	1.88%	2.07%	1.75%
<b>C/I Ratio</b>	62%	54%	70%

- Revenue split 50:50 Retail, Corporate
- Corporate well matched from LDR perspective
- LDR challenge remains in Retail due to large mortgage book

# Summary Financial Performance

## Ulster Bank (Core)

	2008	2010	2012	2012 v 2008	Outlook	Key Message
	£m	£m	£m	(% change)		
Income	1,039	975	845	(19%)		Revenue down 2008-2012 by c20% in line with reduction in interest earning assets
Expenses	(715)	(575)	(521)	27%		
Profit Before Impairment	324	400	324	-		
Impairments	(106)	(1,161)	(1,364)	nm		Expenses reduced by 27% reflecting continued focus on costs
Operating Profit/(Loss)	218	(761)	(1,040)	nm		
Loans & Advances (Gross)	44.0	36.9	32.6	(26%)		Net Interest Margin stable. Outlook of steady improvement
Deposits	24.3	23.1	22.1	(9%)		
NIM	1.89%	1.84%	1.88%	(1bps)		LDR significantly improved
LDR (Net)	179%	152%	130%	(49%)		
C/I Ratio	69%	59%	62%	(7%)		

Note: Results stated a headline FX rates



# Improvement in impairment trend

## Financials

	Ulster Bank (Core)		
	Q1 2013 £m	Q1 2012 £m	Q1 2013 v Q1 2012 %
Income	208	214	(3%)
Expenses	(132)	(130)	(1%)
<b>Profit Before Impairment</b>	76	84	(10%)
Impairments	(240)	(394)	39%
<b>Operating Profit/(Loss)</b>	(164)	(310)	47%
<b>Loans &amp; Advances (Gross)</b>	33.1	33.9	(2%)
<b>Deposits</b>	22.7	21.0	8%
<b>NIM</b>	1.85%	1.87%	(2 bps)
<b>LDR</b>	127%	147%	(20%)
<b>C/I Ratio</b>	63%	61%	(2%)

**Key Message**

Revenue broadly stable despite reduction in interest earning assets and competition on deposits

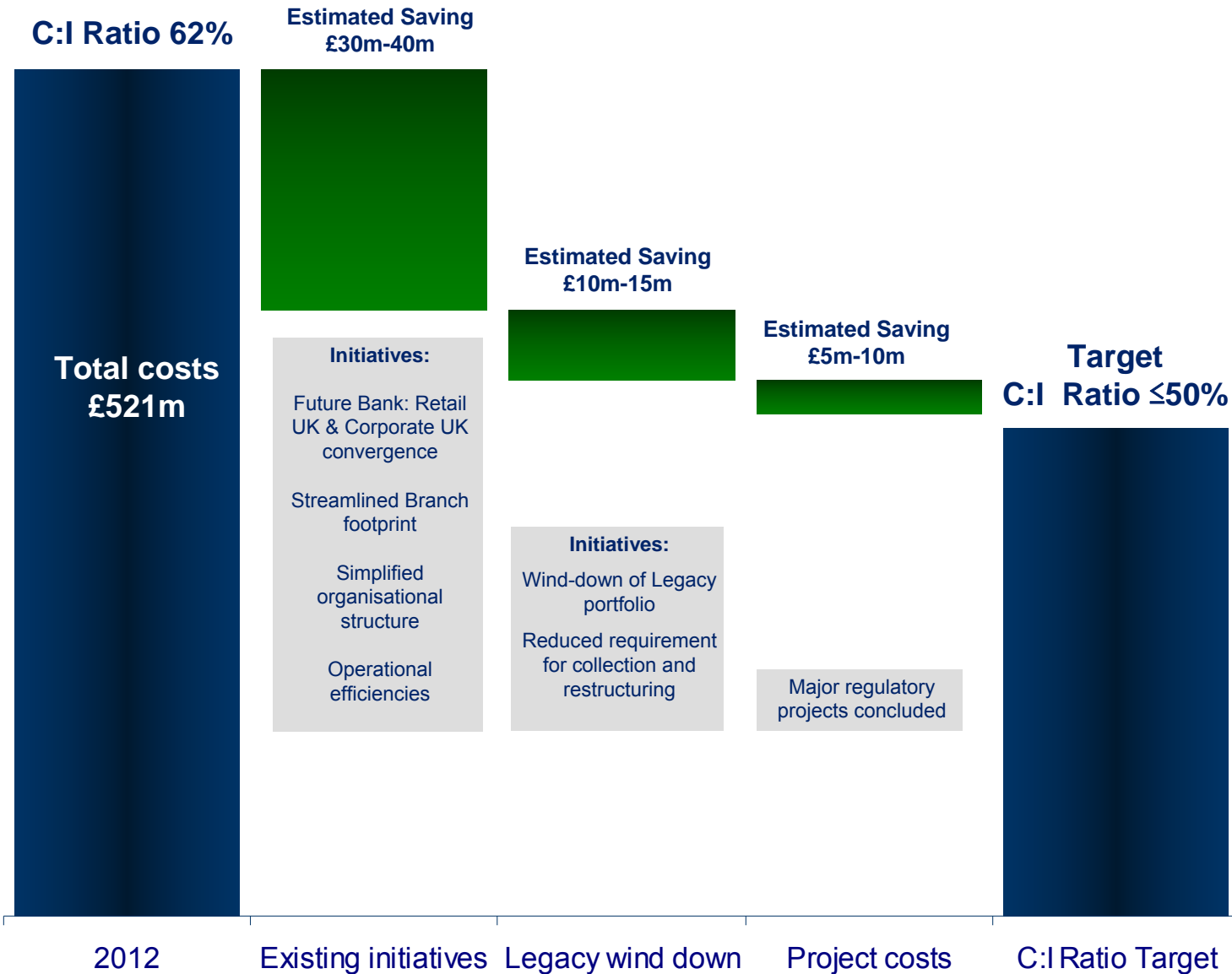
Expenses broadly flat

Impairment losses decreased by £154 million

Loan:deposit ratio further improved (Q/Q 20% reduction) driven by significant deposit growth

Note: Results stated a headline FX rates

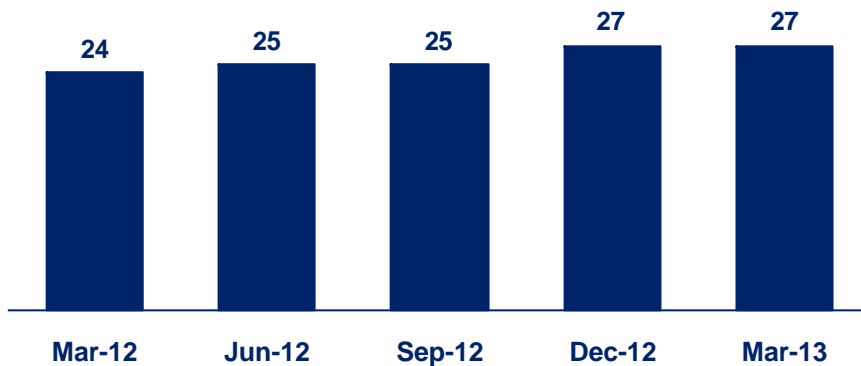
# Cost Initiatives – Long Term C:I Ratio Target of $\leq 50\%$



# Capital and Funding

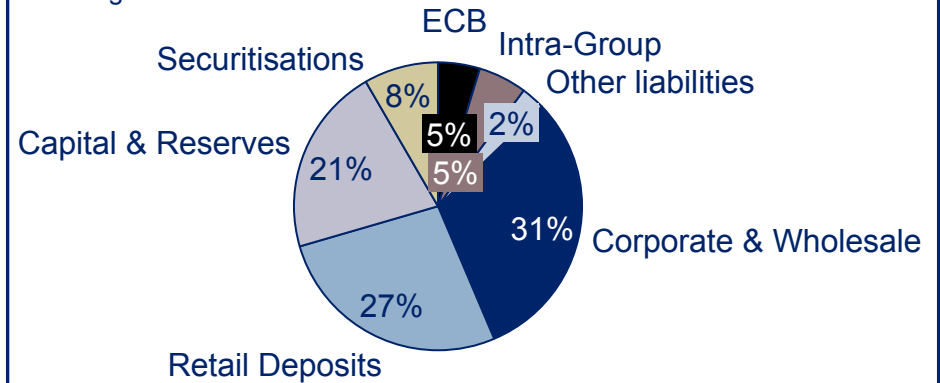
## Stable and growing deposit base

Customer deposits, €m



## Diverse funding base and minimal ECB<sup>1</sup> reliance

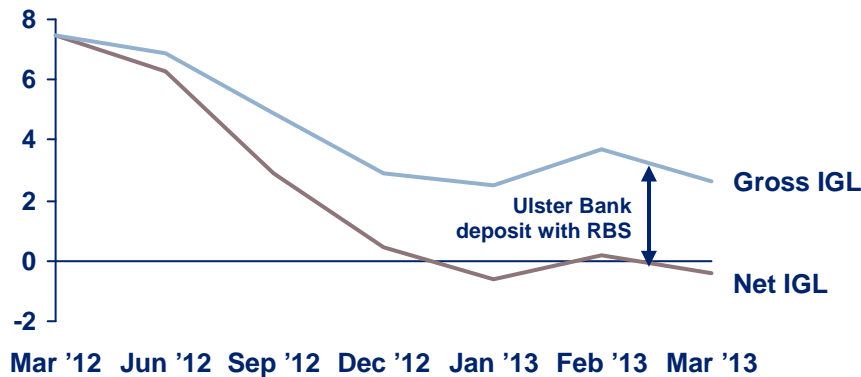
Funding mix



<sup>1</sup> European Central Bank

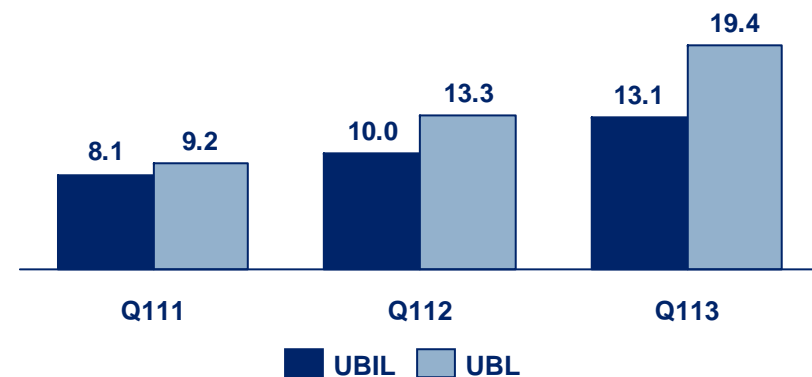
## Significant reduction in reliance on funding from RBS

Intra Group Line, €bn



## Maintaining healthy capital ratios

Core Tier 1 capital ratio (%)



UBIL – Ulster Bank Ireland Ltd.; UBL – Ulster Bank Ltd.

# Ulster Bank is performing credibly vs. peers

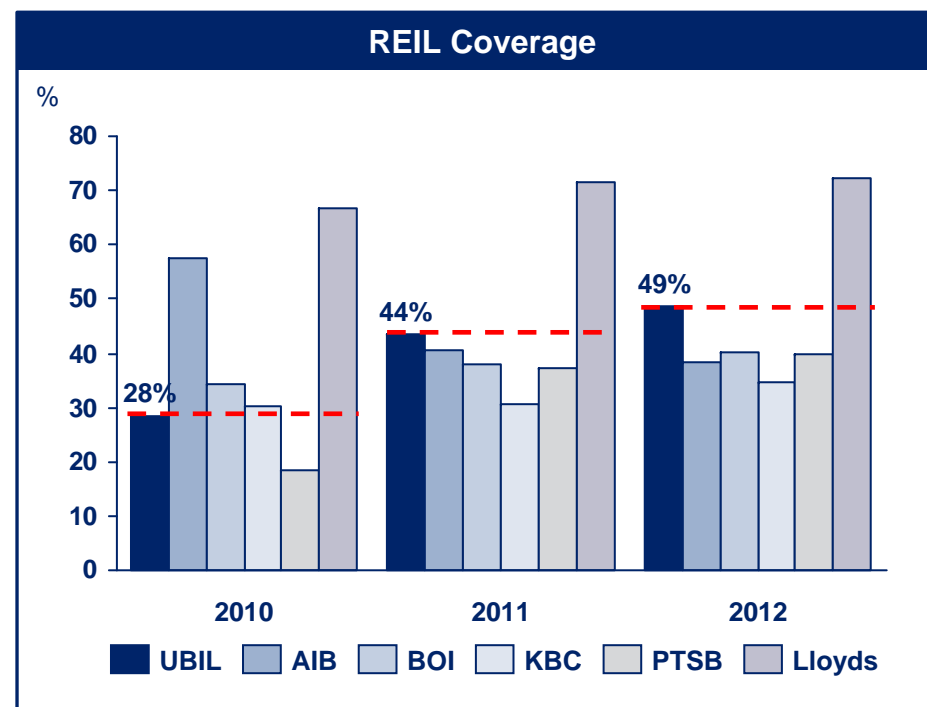
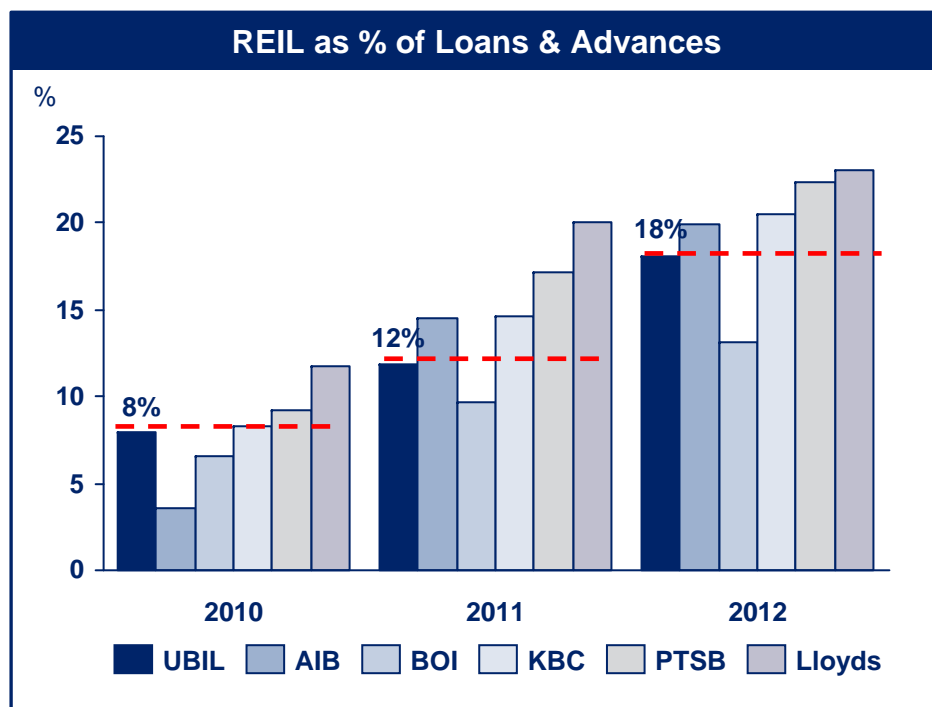
	Ulster Bank (Core)			Bank of Ireland			AIB		
(£m)	FY 12	FY 11	FY12 v FY11 % @ CFX	FY 12	FY 11	FY12 v FY11 %	FY 12	FY 11	FY12 v FY11 %
Income	845	947	(6%)	1,880	2,058	(9%)	1,424	1,788	(20%)
Costs	(521)	(548)	(1%)	(1,638)	(1,645)	0%	(1,739)	(1,687)	3%
Profit before Impairment	324	399	(19%)	242	413	(41%)	(315)	101	(412%)
Impairment Charges	(1,364)	(1,384)	4%	(1,724)	(1,939)	(11%)	(2,529)	(8,161)	(69%)
Operating Profit / (Loss)	(1,040)	(984)	11%	(1,482)	(1,526)	(3%)	(2,844)	(8,060)	(65%)
<b>NIM</b>	<b>1.88%</b>	1.87%	1bps	<b>1.25%</b>	1.33%	(8bps)	<b>1.22%</b>	1.40%	(18bps)
<b>Costs: Income Ratio</b>	<b>62%</b>	58%	315bps	<b>87%</b>	80%	720bps	<b>122%</b>	94%	2,777bps
<b>Loan: Deposit Ratio</b>	<b>130%</b>	143%	(13%)	<b>123%</b>	144%	(21%)	<b>115%</b>	138%	(23%)

Note: NIM for AIB and Bank of Ireland excludes those costs associated with the Eligible Liability Guarantee (ELG)

- Net Interest Margin has held up significantly better than peers
- UB Cost : Income Ratio significantly lower than peers (Ulster at 62% versus Bol at 87% and AIB at 122%)

Notes: UBG Results stated at HFX, YoY movements at CFX

# Residential Mortgages REIL coverage vs. Peers – Republic of Ireland



Note: Red line indicates the UBIL Level. It has been assumed the REIL includes all impaired and 90+ portfolio assets, to allow for direct comparison to the UBIL portfolio

UBIL – Ulster Bank Ireland Ltd is a leading retail and commercial bank in the Republic of Ireland. It provides financial services through both its Retail and Corporate Banking divisions

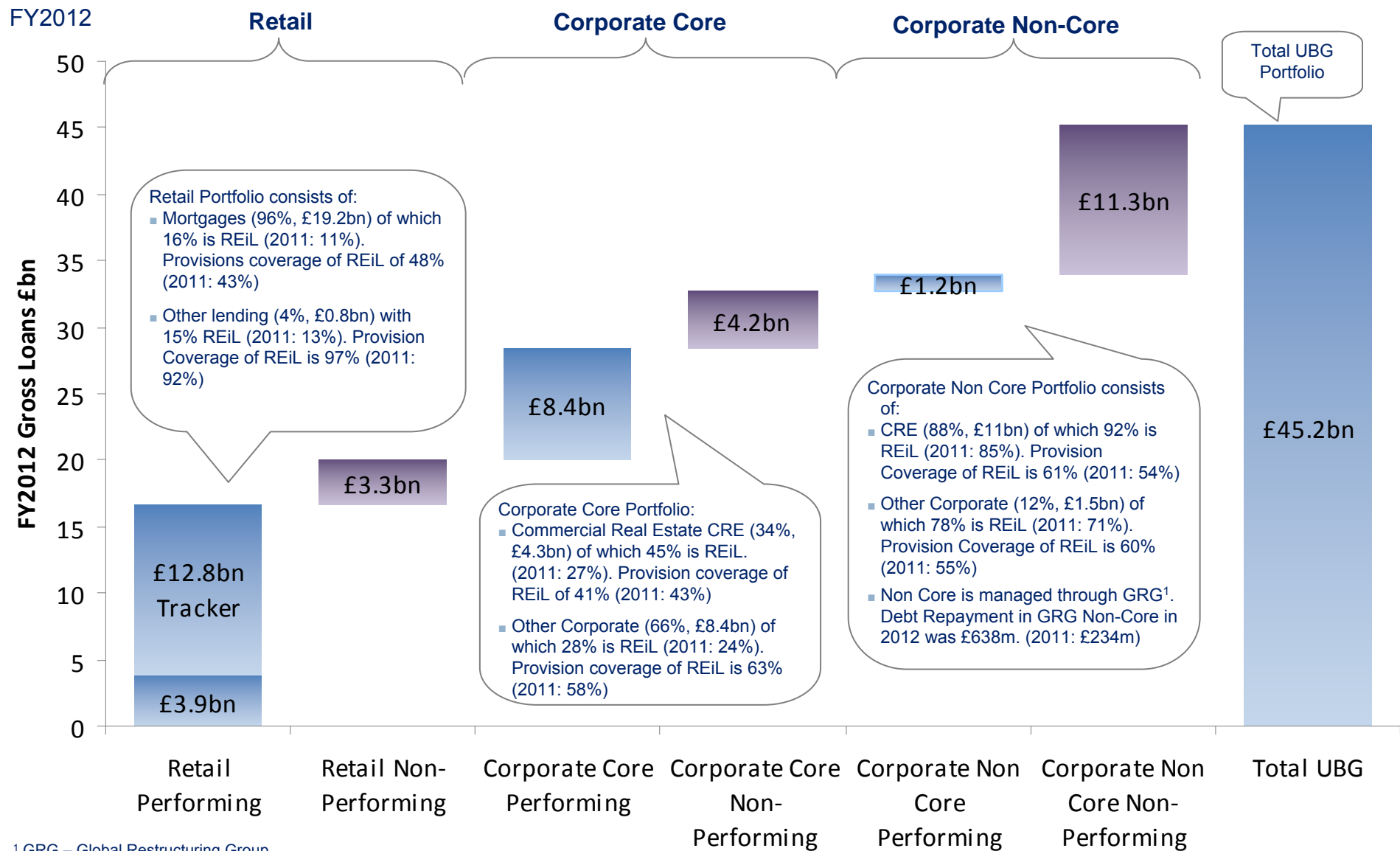
- UB provisions established “bottom up”
- UBIL REIL as % of Loans & Advances is better than market averages
- UBIL REIL Coverage significantly above Irish peers but not as high as Lloyds due to differential strategy

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# Asset Quality

Stephen Bell, Chief Risk Officer, Ulster Bank Group

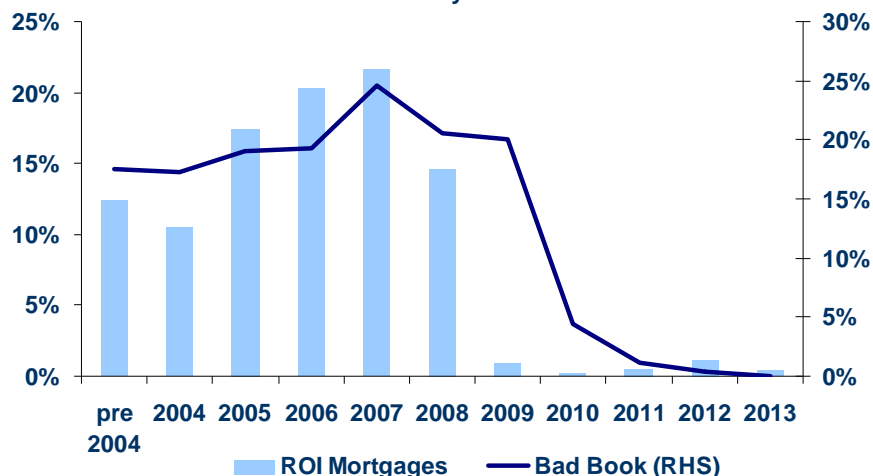
# Ulster Bank: Portfolio on a Page



# Retail Credit Risk

- New business in Q1 low (£70m) but written at a substantially lower LTV (71%)
- Majority of delinquencies are from effectively a “closed pool” - 84% of the portfolio and 95% of provisions relate to 2004-2008 originations
- Provision coverage of mortgages is high vs peers (48% REIL, 47.1% in ROI)
- 90+ arrears formation has slowed for Ulster Bank and showed net reductions in 2 of the last 3 months despite no foreclosure activity
- Increased investment in increased collections capability plus HPI<sup>1</sup> stabilisation underpins a positive performance against plan for impairment charge

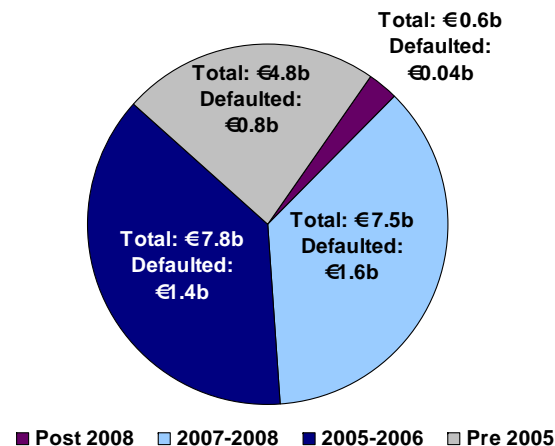
95% of the provision requirement is driven by originations from 2004-2008. The bad debt spike comes from a closed pool which is now 5-9 years old.



<sup>1</sup> House Price Index

## UBG Mortgages are split 68% / 22% / 10% for Tracker/SVR/Fixed

Breakdown of ROI Mortgages Book of €20.7bn



## Peer Comparison of Provision Coverage for Mortgages over 90 Days Past Due

FY 2012	UB ROI	AIB	BOI	PTSB
Owner Occupied (€18.2bn)	46%	33%	35%	34%
BTL (€2.5bn)	52%	43%	47%	50%
<b>Total (€20.7bn)</b>	<b>47.1%</b>	37%	40%	40%

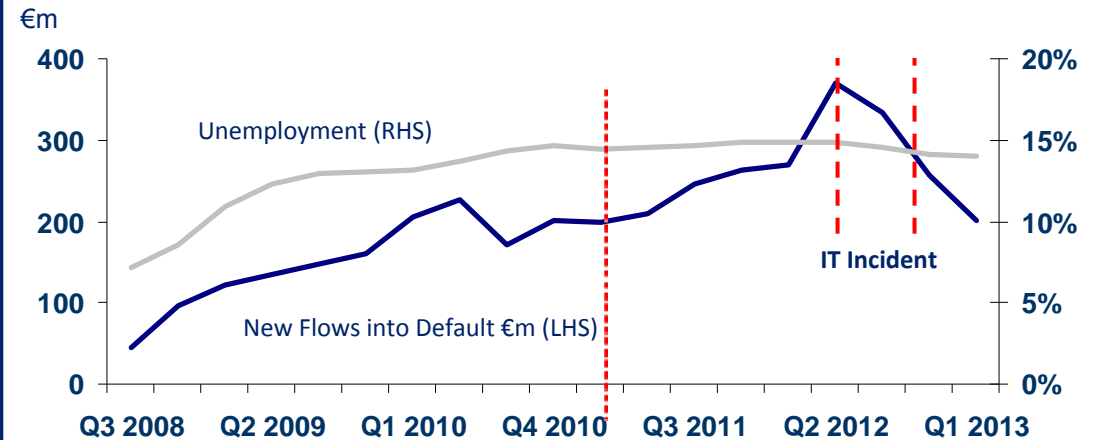


# ROI Mortgage Arrears

## Arrears

<b>Break in trend</b>	<ul style="list-style-type: none"> <li>Historically high correlation between arrears and unemployment broke after Q1/Q2 2011 (CCMA/Dunne<sup>1</sup> ruling)</li> </ul>
<b>Accommodation affordability</b>	<ul style="list-style-type: none"> <li>The average mortgage in arrears is €173k with typical repayment €650pm - rent rates for comparable property of &gt; €1,000</li> </ul>
<b>Potential for Legal Route</b>	<ul style="list-style-type: none"> <li>Low foreclosures in ROI by Ulster – c 100. At UK 1990s rates (0.7% housing stock pa) the figures would have been c. 2,500</li> </ul>

## Link Between Arrears and Unemployment Broken Post-Q2 2011



## Targets for Solutions

- Central Bank of Ireland has set a target of 50% of 90+ cases to be in a “sustainable solution” by year end (sustainable can mean legal)
- On track for the quarterly targets though mainly via legal routes as 35% of mortgages are not paying anything
- Strategic default and failure to prioritise secured lending underpins poor customer behaviour

## Personal Insolvency Act

- PIA is designed as last option for only the most difficult cases prior to bankruptcy
- Our main aim is to work constructively with our customers and avoid the need for PIA
- Decision “waterfall” agreed between the banks aimed at prioritising secured lending – Credit Unions don’t agree (4% of lending market)

## Customer Solutions

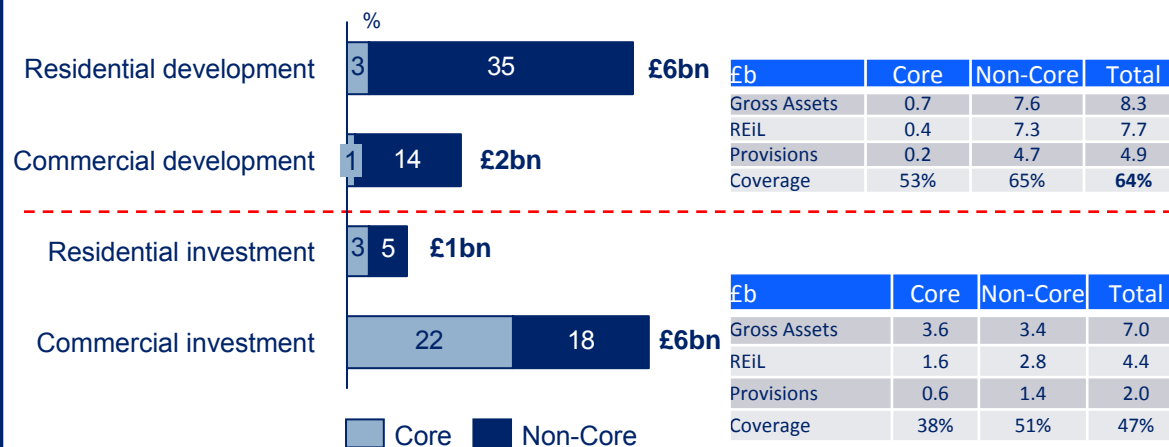
- Our Arrears Support Unit has invested heavily in a robust telephony service, field agents, and third party staff
- Customers who re-start their mortgage arrangement with UB reach an appropriate solution based on their finances
- We will follow the legal process for those customers who do not re-engage

<sup>1</sup> CCMA: Code of Conduct on Mortgage Arrears. The Dunne Ruling effectively halted repossessions

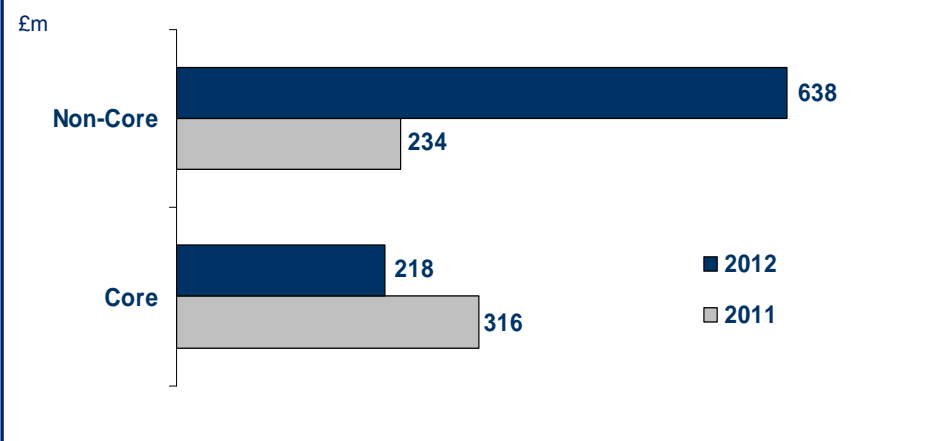
# Wholesale Credit Risk

- Significant proportion of wholesale credit both in the Core (CRE 34%) and Non-Core (CRE 88%) portfolios is property related
- Deleveraging has taken place, though at a slow pace with £856m repayments in GRG and NC in 2012
- Provision coverage of REILs is high for all sectors of the book (Core and Non-Core)
- RBS/Ulster Bank operates through-the-cycle strategy which differs from some of our peers.
- Although there is some variability, total Core and Non-Core Watchlist balances broadly stable from Q1 2011

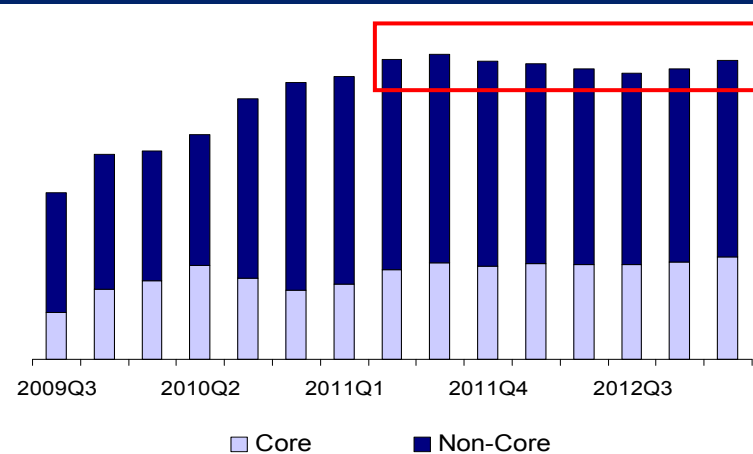
## Breakdown of CRE portfolio (FY12)



## Global Restructuring Group (GRG) and Non-Core Repayments



## Wholesale watchlist<sup>1</sup>



<sup>1</sup> Wholesale watchlist – loans in REIL and also performing loans where there are early signs of potential stress or warrant close management as well as loans which are actively managed by the GRG

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# Summary

Jim Brown, Chief Executive Officer, Ulster Bank Group

# Ulster Bank Summary

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- **The macro-economic environment across the island of Ireland is improving**
- **Investor confidence in Ireland is returning**
- **Banking sector continues to restructure**
- **Deposit market/pricing appears to be normalising**
- **We are executing on our strategy to create a “really good bank” whilst tackling legacy issues**
- **Over the past 2 years, we have made solid progress**
- **Our strategic plan will deliver a smaller, lower cost & profitable bank**

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# Appendices

# Ulster Bank Management Team (1 of 2)

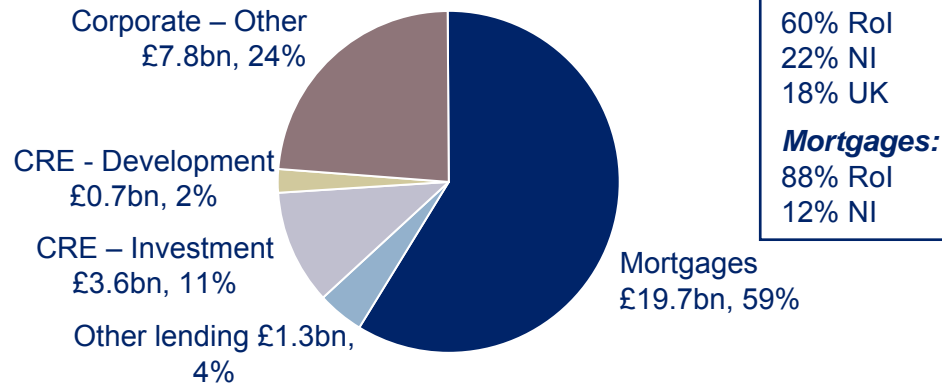
Name	Title	Background
	Jim Brown Chief Executive Officer	<ul style="list-style-type: none"> <li>Jim Brown is Chief Executive of Ulster Bank Group with responsibility for the Ulster Bank businesses in Northern Ireland and the Republic of Ireland. Jim is also a member of the RBS Management Committee. Prior to taking up his role in Ulster Bank, Jim was Chief Executive for Retail and Commercial Markets in Asia and Middle East with responsibility for the RBS Retail and Commercial banking franchise in nine markets. Before joining RBS, Jim worked in ABN AMRO holding a variety of senior positions including Head of Consumer Clients Asia and Country Manager for Taiwan. Jim has also worked in Citibank holding various key positions in retail and consumer banking in Taiwan, Australia and New Zealand.</li> </ul>
	Stephen Bell Chief Risk Officer	<ul style="list-style-type: none"> <li>Stephen Bell was appointed Chief Risk Officer in March 2012. He joined the Bank from PwC from where he was most recently seconded to the role of Chief Risk Officer at Allied Irish Banks plc in the aftermath of the substantial nationalisation of that bank. Prior to this he established and ran the Business Support &amp; Recoveries operation for Barclays Western Europe, based in Madrid. Before that he was Strategy &amp; Change Director at Royal and Sun Alliance, joining from Transamerica Commercial Finance where he was Vice President &amp; Managing Director, EMEA. Earlier in his career he was Chief Risk Officer in GE's Auto Financial Services business. Stephen initially started his career with National &amp; Provincial Building Society and over a 9 year period held a variety of senior risk and collections roles.</li> </ul>
	Richard Harding Chief Financial Officer (Acting)	<ul style="list-style-type: none"> <li>Richard Harding is currently Ulster Bank Acting Chief Financial Officer &amp; Group Treasurer. He joined Ulster Bank in May 2012 from RBS Hong Kong where he was Treasurer for RBS Asia Pacific. Whilst in Asia he was responsible for managing the Treasury risks across 11 countries, four divisions, multiple legal entities and £70bn of third party assets. Richard has been with RBS since 1999. He has held a number of senior management positions while at RBS, including Treasurer of Corporate Banking Division and Head of Capital Raising within Group Treasury. With over 20 years experience in the Financial services sector, Richard qualified as an Accountant with PWC and graduated in Aerospace Engineering from Bristol University. He is an Associate member of the Association of Corporate Treasurers and has been FSA registered for Securities and Financial Derivatives since November 2003.</li> </ul>
	David Thomas Managing Director, Corporate Markets	<ul style="list-style-type: none"> <li>David joined Ulster Bank in October 2011 from his role of Chief Risk Officer, UK Corporate Banking at RBS. Before joining RBS he spent 10 years with Société Générale where he was Deputy Head of their Corporate Banking business in London. He spent the previous 10 years with Barclays in their SME business. David has over 30 years experience in banking, across both front line and support functions. He has relevant and timely experience that will add value in shaping the future Corporate Banking Division.</li> </ul>
	Ellvena Graham Chief Operations Officer	<ul style="list-style-type: none"> <li>Ellvena Graham was appointed Head of Ulster Bank Northern Ireland in March 2013 in addition to her role of Chief Operating Officer of Ulster Bank Group, which she has held since September 2011. Educated at Methodist College Belfast, Ellvena started her career in Ulster Bank in 1982 in Information Technology and has since held various senior roles working in Belfast, Isle of Man and Dublin. Ellvena has also held senior positions in RBS, having been Head of Operations in EMEA before taking up the role of Director of Business Services Ireland.</li> <li>In addition, Ellvena is a Non-Executive Director of the Electricity Supply Board (ESB) and a member of the Advisory Board for the Women's Executive Network in Ireland. She is also a Fellow of the Institute of Bankers since 2002</li> </ul>

# Ulster Bank Management Team *and Chief Economist* (2 of 2)

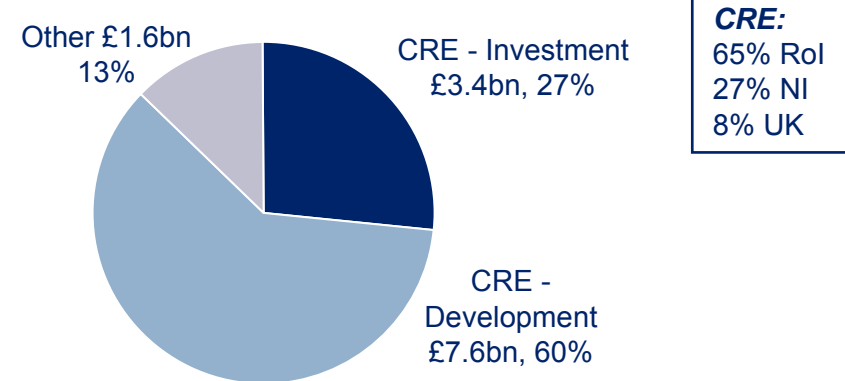
Name	Title	Background
	Richard Donnan Managing Director, Retail Markets	<ul style="list-style-type: none"> <li>Richard was appointed to the role of Managing Director, Retail Markets in January 2011. He joined Ulster Bank in 1989 and has since held a number of senior positions within Retail Markets. He holds a Business Studies Degree from the University of Ulster, Jordanstown and an Executive MBA from Queens University, Belfast. He is also a graduate member of the Institute of Bankers and holds a Professional Banking Diploma.</li> </ul>
	Steve Daniels Head of Human Resources	<ul style="list-style-type: none"> <li>Steve joined NatWest Group in the 1970s. Steve's early career was spent in various business and HR roles. From 1986 to 1991 he worked in New York where he had HR responsibility for the NatWest Markets business throughout North America. On returning to the UK, he was appointed Head of Human Resources for NatWest Group's Information Technology business, followed by two years working closely with the Group's Executive Team on Executive Capability and Organisational Development.</li> <li>In 1996, Steve moved to Belfast as Head of Human Resources Ulster Bank Group and in 2000 was appointed Director, Central Services. In 2002 he became HR Director, Retail Banking before moving to become HR Director, Global Markets. He became Head of HR, Ulster Bank in July 2009. He is a fellow of the Institute of Bankers in Scotland and Ireland.</li> </ul>
	Bobbie Bergin Head of Comms & Corporate Affairs (C&CA)	<ul style="list-style-type: none"> <li>Bobbie joined the Bank from First Active and has responsibility for Communications, Marketing, Legal and Group Secretariat. Bobbie is a Fellow of the Institute of Bankers in Ireland and Chartered Institute of Bankers, Associate of the Institute of Chartered Secretaries and holds a degree in Finance and a Masters of Science Degree in Management.</li> </ul>
	Joy McAdam Head of Global Restructuring Group	<ul style="list-style-type: none"> <li>Joy began her Global Restructuring Group ("GRG") career in 2002 working in the Recoveries and Litigation team. She spent 10 years working in various departments within GRG, working on some larger restructures, managing the team on smaller turnaround and also the real estate restructuring team. In early 2012 Joy was appointed Head of Global Restructuring Group in Ulster Bank (GRGI). Joy currently heads the GRG Ireland team which comprises over 400 people managing a portfolio of approximately 2,900 cases with debt of approximately £18bn. Joy is an accountant by background and previously held an Insolvency Practitioners licence.</li> </ul>
	Christian Pierce Head of Strategy	<ul style="list-style-type: none"> <li>Christian Pierce was appointed Head of Strategy in February 2012. Before joining the bank Christian spent 12 years with Bain &amp; Company in London, where he was a Principal in the Private Equity and Performance Improvement practices working with a range of clients across the retail, financial services, oil &amp; gas and petrochemical sectors. Christian holds BSc (Hons) from Imperial College and MPhil and PhD degrees from the University of Cambridge</li> </ul>
	Simon Barry Chief Economist, Republic of Ireland	<ul style="list-style-type: none"> <li>Simon Barry is Chief Economist Republic of Ireland at Ulster Bank. His areas of responsibility include coverage of the Irish economy as well as the major international economies and related interest rate and foreign exchange rate markets. Before joining Ulster Bank, Simon spent some 7 years as Senior Economist with Bank of Ireland Global Markets. Prior to that, he worked as a Senior Consultant with Goodbody Economic Consultants having also worked as a lecturer in economics in Waterford Institute of Technology. He holds B.Comm. and M.Econ.Sc. degrees from University College Dublin.</li> </ul>

# Ulster Bank (Q113)

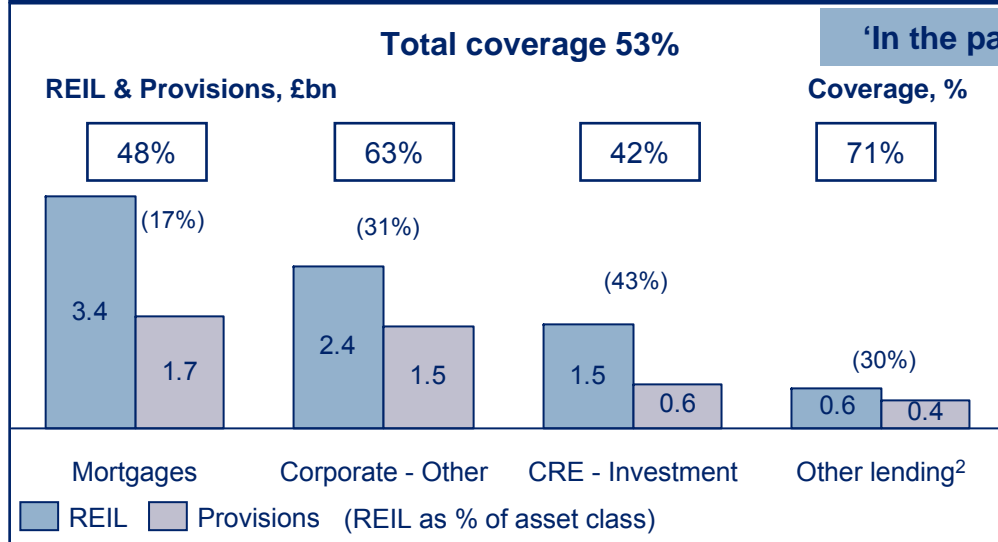
## Core gross L&A, £33.1bn



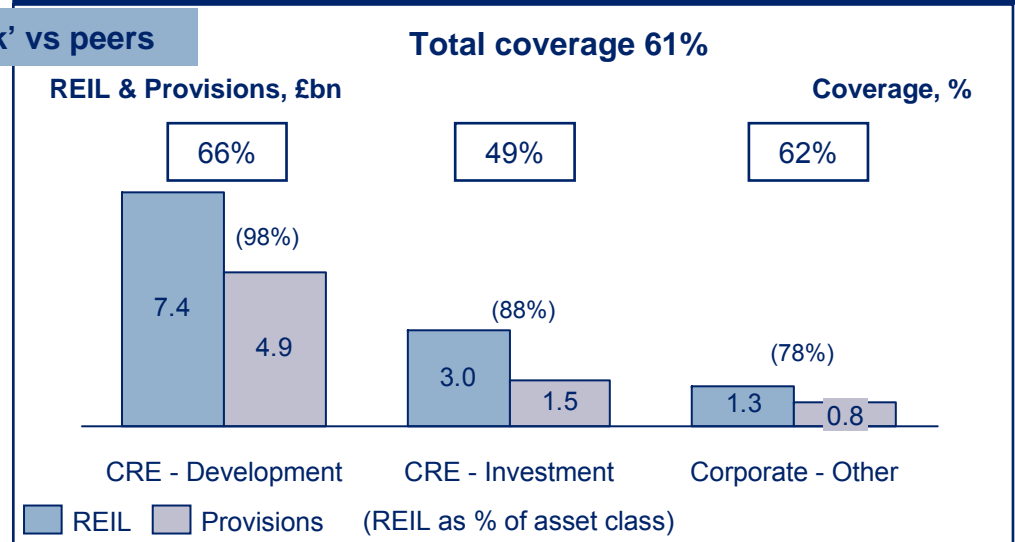
## Non-Core gross L&A, £12.6bn



## Core REIL, Provisions & Coverage<sup>1</sup>



## Non-Core REIL, Provisions & Coverage<sup>1</sup>

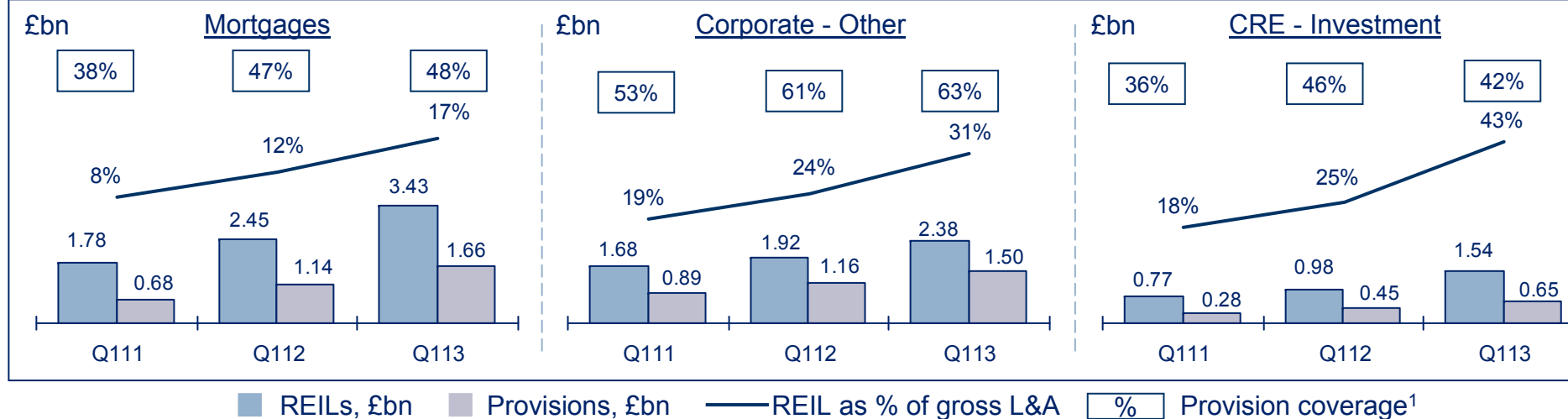


<sup>1</sup> Provisions as a % of REIL. <sup>2</sup> Includes Core CRE Development lending REIL and provisions.

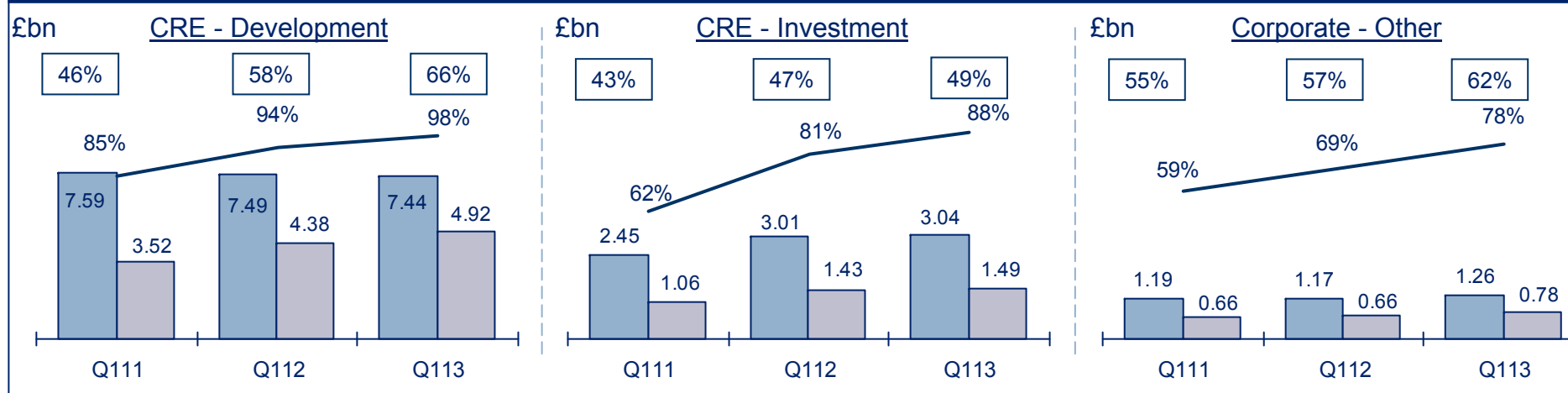


# Ulster Bank asset quality (Q113)

## Core Ulster Bank, £33.1bn loan book – 53% provision coverage<sup>1</sup>



## Non-Core Ulster Bank, £12.6bn loan book – 61% provision coverage<sup>1</sup>



<sup>1</sup> Provisions as a percentage of risk elements in lending (REILs).