

Current draft Opening statement to Finance Oireachtas Committee

Opening statement to Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach

Chairman, members of the Committee, I want to acknowledge the Committee's interest in having the Bank meet with you, which dates back some months. I am joined today by CFO and deputy CEO Paul Stanley and we are also supported by Derval McDonagh, Director of Human Resources and Elizabeth Arnett, Director of Corporate Affairs.

I want to make it clear that we at Ulster Bank and, indeed, NatWest fully understand the public interest in the review, which is now completed and the concerns which you, members of the Committee, as well as many other stakeholders, have articulated in recent months.

As we have set out in correspondence with the Committee, our decision not to meet before now was rooted in the reality that all matters relating to the review, including timelines, financial considerations, as well as any arrangements NatWest Group may have in place with external advisors, were and some still are, commercially sensitive. The deliberations of the Executive and Board of NatWest Group on matters such as this were not something that could be shared publicly.

However, now that a decision has been made, we are glad to have this early opportunity to meet with you. I must caution that some of the matters you raise may be commercially sensitive; impact on negotiations which are underway in relation to the transfer of parts of the business; or be more appropriate for discussions directly with staff representatives in the first instance.

You will be aware that last Friday Ulster Bank Ireland DAC announced that, following a strategic review undertaken by its parent company NatWest Group, it will commence a phased withdrawal managed in an orderly and considered manner, from the Republic of Ireland over the coming years.

We circulated our statement to all members of the Oireachtas, including members of the Committee early on Friday and I do not propose to repeat in full here today.

I should however make the following key points:

- An orderly phased withdrawal will take place over a number of years.
- We have signed a Non-binding Memorandum of Understanding with AIB on substantially all of the performing commercial loan book.
- Preliminary talks continue regarding other parts of the business, with PTSB and other strategic banking counterparties with a preference for full service banks in the Republic of Ireland.

For colleagues there will be no immediate changes and no new compulsory departures this year as a result of this announcement and we do not intend to close any branches this year on the back of this announcement.

Customers are also unaffected in the short term. Ulster Bank will continue to offer a full banking service in our branches, online and through normal channels for existing and new customers for the foreseeable future; most likely until 2022 at the earliest. Customers don't need to take any action as a consequence of this announcement, and we have begun communicating with them and will continue to do so over the coming weeks and months.

There is a clear rationale for the decision.

Over the last decade, our strategy has been to improve returns by growing the business, reducing costs and resolving legacy issues. We have made good progress and I want to thank all of those who, through their commitment and dedication, have helped to transform this business.

Unfortunately, despite the progress that we have made, it has become clear we are unable to generate sustainable returns over the long-term for our shareholders and so the decision has been taken to commence a phased withdrawal from the Irish market over the next number of years.

Regarding the review process itself: When NatWest Group decided to review the strategy for Ulster Bank a range of options were under consideration. As part of this, discussions commenced with other strategic banking counterparties regarding their interest in Ulster Bank.

There are a number of reasons why these discussions are not made public, including commercial sensitivity, legal and regulatory reasons and price sensitive information, for us and potential counterparties. We can only share updates once there is an agreement on both sides to do so we are compelled to do so under or legal and regulatory obligations. This protects the process and helps increase the likelihood of an agreement.

While these discussions may or may not result eventually in binding agreements, our objectives in these discussions are to find the best solutions that minimise disruption and provide the best outcome for our customers while minimising job losses.

Progress has been made. The non-binding Memorandum of Understanding represents the basis of a negotiation process with AIB Group plc that will seek to put in place an agreement to transfer the majority of our performing commercial loan book. Colleagues who are wholly or mainly assigned to this loan book will transfer to AIB Group, p.l.c. Ulster Bank relationship managers will continue to actively engage with our business customers throughout the process. Any agreement that may be reached will be subject to relevant supervisory engagement and assessment, appropriate regulatory and other approvals.

NWG is also in early discussions with Permanent TSB Group Holdings plc, among other strategic banking counterparties, about their potential interest in buying certain retail and SME assets, liabilities and operations. These discussions may or may not result in agreement. Our preference is to continue to focus our discussions with counterparties who can provide customers with full banking services in the Irish market.

The last five months have been very difficult and upsetting for our colleagues and for our customers. The uncertainty that the review has brought, combined with the ongoing pandemic have been extremely challenging. Speculation appeared in media in September and we were left in the difficult situation of not being able to update colleagues – which would be our preferred way of doing things – due to the fact that the review was underway and not completed, and its outcome was uncertain. There was a requirement to conduct discussions in a manner that ensured commercial sensitivity and confidentiality. In the latter stages of the review process we were subject to additional restrictions that further prevented us from discussing the review until there was a Board decision that could be publicly announced to the market.

You might think that perhaps there could have been a warning or a ‘heads up’. However, up until the Board makes a decision there is no certainty as to the final outcome of the review. I accept that this situation, the ongoing media speculation and some of the communications issued to colleagues have

added to the stress of the situation. Our colleagues were rightly frustrated and worried with the level of information that we could share with them.

Unfortunately, something as personal to all of us in Ulster Bank has been subject to confidentiality restrictions and we have not been able to communicate with colleagues on this issue until a decision was made.

NatWest group have said since September, that a range of options were under consideration, so we prepared for a range of outcomes. That was the right thing to do and meant we could respond to customers and colleagues whenever a decision was made. The decision was made early last Friday and by 7 am we were able to commence communicating with colleagues and customers.

I would like to update you on what has happened since:

We met with Minister Donohoe to inform him of the decision; we have also notified our regulators.

In communicating with customers, we have placed the CPC (Customer Protection Code) at the heart of our activity and have endeavoured to communicate clearly and proactively.

- We commenced writing to all of our one million customers. In addition, we placed our customer messaging in full page press adverts in all major print media over last weekend.
- We placed appropriate messaging on all of our digital channels and through each of the customer journeys advising customers of the recent announcement and what that means for them.
- We have also commenced a process of proactively reaching out directly to all of our vulnerable customers.
- We contacted a wide range of customer representative bodies, representatives of vulnerable customers, members of the Oireachtas and MEPs to inform them all of the decision.

In addition to informing customers of the outcome of the review we have also included very important messages about frauds and scams.

- For colleagues we have held a series of meetings across the Bank to brief them on the situation and these will continue throughout the process.
- We have met with representative bodies for staff and will be engaging with them on an ongoing basis.

What happens next?

Our objective now is to continue to serve our customers and support colleagues.

We will continue our discussions with counterparties who can provide customers with full banking services in the Irish market. These discussions may take many months to progress.

In parallel, we are now entering into an extensive consultation process with the FSU and other employee representative bodies. We have also scheduled a series of listening sessions with all staff and in smaller groups so that all colleagues have ample opportunity to ask questions and look for answers to their queries. And of course, we continue to make a number of wellbeing tools and supports available to everyone.

While we cannot share any further details today, we are committed to updating you when we have binding legal agreements in place and are able to share further detail from a regulatory, commercial and legal perspective. In the coming days and weeks, we will fully engage with all stakeholders in order to consider any concerns they may have about last Friday's announcement.

Today we will endeavour to address issues which members of the Committee will raise. I suspect that at times, we will be constrained in what we can say.

This is not out of any disrespect for the Committee but simply due to the commercial and other sensitivities of many of the issues. We recognise that you have a job to do but we ask that you acknowledge that we also have to manage this process in a careful and responsible manner. That process will take time and we simply do not have answers to many legitimate questions which you and indeed our own colleagues are asking.

From last Friday, our energy is now going into engaging with customers, colleagues, their representatives, and our communities in the coming months to listen to their concerns, to take them on board, to work with and alongside them, and to update them on how change will be responsibly managed through the phased withdrawal process.

For all of us in Ulster Bank this is an extremely disappointing decision. Despite this, Ulster Bank and NatWest, will work hard to minimise the impact on colleagues and customers. In the meantime, we remain open for business across all of our channels for both existing and new customers.

Ends.