Company Registered Number: 03525975

FIRST ACTIVE COMMERCIAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2012

Group Secretariat
The Royal Bank of Scotland Group plc
1 Princes Street
London
EC2R 8PB
England

FIRST ACTIVE COMMERCIAL LIMITED **03525975**

CONTENTS

FIRST ACTIVE COMMERCIAL LIMITED **03525975**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	J Browne M McKavanagh
SECRETARY	M Mullen E Dignam (Assistant Secretary)
REGISTERED OFFICE:	Group Secretariat The Royal Bank of Scotland Group plc 1 Princes Street London EC2R 8PB England
INDEPENDENT AUDITOR:	Deloitte & Touche Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
BANKERS:	Ulster Bank 33 College Green Dublin 2 Ireland

DIRECTORS' REPORT

The directors of First Active Commercial Limited ("the Company") present their report together with the audited financial statements for the Company for the year ended 31 December 2012 The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU)

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be the provision of inter group lending

The directors do not anticipate any material change in either the type or level of activities of the Company

Business review

The Company is a subsidiary of Ulster Bank Ireland Limited ("UBIL") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The annual reports of UBIL review these matters on a group basis Copies can be obtained from The Secretary, Ulster Bank Group Centre, George's Quay, Dublin 2

The Company is part of the Ulster Bank Group ("the Group") and receives ongoing capital, funding and liquidity resources which, coupled with other sources of funding and liquidity, enable the Company to meet its obligations as they fall due

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7 The operating profit before taxation for the year was £252,612 (2011 loss of £15,164) The retained profit for the year was £189,509 (2011 loss of £79,144)

At the end of the year total assets were £55,829,889 (2011 £50,655,146)

Dividends

The directors do not recommend the payment of a dividend (2011 £nil)

Accounting Policies

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements Details of the Company's critical accounting policies and key sources of estimation uncertainty are included in note 2

Principal risks and uncertainties

The major risks associated with the Company's business are operational, currency, liquidity and interest rate risk

The Company is part of a group which has established a comprehensive framework for managing risks, which is continually evolving as business activities change in response to market, credit, product and other developments The policies for managing risks and the Company's exposure thereto are detailed in note 6 to the financial statements

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

Directors and secretary

The present directors and secretaries, who have served throughout the year except where noted below, are listed on page 1

From 1 January 2012 to date the following changes have taken place

	Appointed	Resigned
Directors		
J Browne	19 June 2012	–
M Baird	–	30 March 2012

In accordance with the Articles of Association of the Company, the directors are not required to retire by rotation

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulation

Company law requires the directors to prepare a directors' report and financial statements for each financial year Under that law the directors have elected to prepare company financial statements in accordance with IFRS as adopted by the EU Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' disclosure to auditors

Each of the directors at the date of approval of this report confirms that

a) in so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
b) the director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Directors' indemnities

In terms of section 236 of the Companies Act 2006, neither director has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc ("the RBS Group")

DIRECTORS' REPORT (continued)

Events since the year end

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements

Independent auditors

The independent auditors Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office as auditor

Approved by the Board of Directors and signed on behalf of the Board

J Browne
Director

Date 5th September 2013

First Active Commercial Limited
No 03525975
Registered in the United Kingdom

Deloitte.

Deloitte & Touche
Chartered Accountants &
Registered Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST ACTIVE COMMERCIAL LIMITED

We have audited the financial statements of First Active Commercial Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1-10 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the profit for the year then ended,
- the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST ACTIVE COMMERCIAL LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Martin Reilly (Senior Statutory Auditor)
for and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

5 September 2013

FIRST ACTIVE COMMERCIAL LIMITED **03525975**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

		2012	201
Continuing operations	Note	**£**	
Interest receivable		**410,376**	389,94
Net interest income		**410,376**	389,94
Foreign exchange loss		**(157,764)**	(405,10
Non-interest expense		**(157,764)**	(405,10
Operating profit/(loss) before tax		**252,612**	(15,16
Tax charge	4	**(63,103)**	(63,98
Profit/(loss) and total comprehensive income/(loss) for the year		**189,509**	(79,14

The Company had no recognised income or expenses in the financial year or preceding financial ye other than those dealt with in the Statement of Comprehensive Income

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

FIRST ACTIVE COMMERCIAL LIMITED **03525975**

BALANCE SHEET
as at 31 December 2012

	Note	2012 £	2011 £
Assets			
Amounts due from Group undertakings	5,9	**55,829,889**	50,655,146
Total assets		**55,829,889**	50,655,146
Liabilities			
Amounts due to Group undertakings	5,9	**10,564,638**	5,577,314
Current tax liabilities	4,5	**61,890**	63,980
Total liabilities		**10,626,528**	5,641,294
Equity			
Share capital	7	**2**	2
Retained earnings		**45,203,359**	45,013,850
Total equity		**45,203,361**	45,013,852
Total liabilities and equity		**55,829,889**	50,655,146

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

The financial statements of the Company were approved by the Board of Directors on 5th September 2013 and signed on its behalf by

J Browne
Director

First Active Commercial Limited
No 03525975
Registered in the United Kingdom

FIRST ACTIVE COMMERCIAL LIMITED 03525975

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £	Retained earnings £	Total £
At 1 January 2011	2	45,092,994	45,092,996
Loss for the year	–	(79,144)	(79,144)
At 31 December 2011	2	45,013,850	45,013,852
Profit for the year	–	189,509	189,509
At 31 December 2012	2	45,203,359	45,203,361

Total comprehensive income for the year of £189,509 (2011 expense of £79,144) is wholly attributable to the equity holders of the Company

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

FIRST ACTIVE COMMERCIAL LIMITED **03525975**

CASH FLOW STATEMENT
for the year ended 31 December 2012

	2012 £	2011 £
Operating activities		
Operating profit/(loss)for the year before tax	**252,612**	(15,164)
Operating cash flows before movements in working capital	**252,612**	(15,164)
Increase in amounts due from Group undertakings	**(5,174,743)**	(318,250)
Increase in amounts due to Group undertakings	**4,922,131**	333,414
Net cash from operating activities	**–**	–
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of financial statements

The financial statements are prepared on a going concern basis and in accordance with IFRS issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU The Company's financial statements are presented in accordance with the Companies Act 2006

The Company is incorporated in the UK and registered in England and Wales

The financial statements are prepared on the historical cost basis

b) Foreign currencies

The Company's financial statements are presented in Sterling which is the functional currency of the Company

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the Balance Sheet date Foreign exchange differences arising on translations are reported in the Statement of Comprehensive Income Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Sterling at foreign exchange rates ruling at the dates the values were determined

c) Revenue recognition

Interest income on financial assets that are classified as loans and receivables are determined using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs All contractual terms of a financial instrument are considered when estimating future cash flows

d) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Statement of Comprehensive Income except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the Balance Sheet date

1 Accounting policies (continued)

e) Financial assets
On initial recognition, financial assets are classified as loans and receivables

Loans and receivables
Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss Loans and receivables are initially recognised at fair value plus directly related transaction costs They are subsequently measured at amortised cost using the effective interest method (see accounting policy c) less any impairment losses

f) Impairment of financial assets
The Company assesses at each Balance Sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset

g) Financial liabilities
On initial recognition financial liabilities are classified into amortised cost and measured using the effective interest method (see accounting policy c)

h) Accounting developments
The following IFRS and amendments to IFRS have an effective date of 1 January 2013 except where noted

IFRS 10 'Consolidated Financial Statements' replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements' IFRS 10 adopts a single definition of control a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity IFRS 10 requires retrospective application Implementation of IFRS 10 will not have a material effect on the Company's financial statements

IFRS 11 'Joint Arrangements', which supersedes IAS 31' Interests in Joint Ventures', distinguishes between joint operations and joint ventures Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs Joint ventures are accounted for in the investor's consolidated accounts using the equity method IFRS 11 requires retrospective application Implementation of IFRS 11 will not have a material effect on the Company's financial statements

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27 Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities Implementation of IFRS 12 will not have a material effect on the Company's financial statements

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that deal with separate financial statements and IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates, both must be accounted for using the equity method The mechanics of the equity method are unchanged The two revised standards have no effect on the Company's financial statements

1 Accounting policies (continued)

h) Accounting developments (continued)
IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements Implementation of IFRS 13 will not have a material effect on the Company's financial statements

'Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' amended IFRS 7 to require disclosures about the effects and potential effects on an entity's financial position of offsetting financial assets and financial liabilities and related arrangements It will not have a material effect on the Company's financial statements

IAS 19 'Employee Benefits' (revised) requires the immediate recognition of all actuarial gains and losses eliminating the "corridor approach", interest cost to be calculated on the net pension liability or asset at the long-term bond rate, an expected rate of return will no longer be applied to assets, and all past service costs to be recognised immediately when a scheme is curtailed or amended IAS 19 (revised) will not have a material effect on the Company's financial statements

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those items that are subject to subsequent reclassification The amendment is not expected to have a material effect on the Company's financial statements

'Annual Improvements 2009-2011 Cycle' makes a number of minor changes to IFRS These will not have a material effect on the Company's financial statements

In October 2012, the IASB issued 'Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)' The amendments apply to 'investment entities' entities whose business is to invest funds solely for returns from capital appreciation, investment income or both and which evaluate the performance of their investments on a fair value basis The amendments provide an exception to IFRS 10 by requiring investment entities to measure their subsidiaries (other than those that provide services related to the entity's investment activities) at fair value through profit or loss, rather than consolidate them The amendments are effective from 1 January 2014 and are not expected to have a material effect on the Company's financial statements

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' The amendments add application guidance to IAS 32 to address inconsistencies identified in applying some of the standard's criteria for offsetting financial assets and financial liabilities The amendments are effective for annual periods beginning on or after 1 January 2014 and must be applied retrospectively The amendments are not expected to have a material effect on the Company's financial statements

The Company is reviewing the following amendments to determine their effect on the Company's financial reporting

In November 2009, the IASB issued IFRS 9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets The standard reduces the measurement categories for financial assets to two fair value and amortised cost A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost All other financial assets are measured at fair value Changes in the value of financial assets measured at fair value are generally taken to profit or loss

1 Accounting policies (continued)

h) Accounting developments (continued)
In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit, these must be presented in other comprehensive income

In December 2011, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures Additional transition disclosures must be given if implementation takes place after 2012

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments The Company is assessing the effect of IFRS 9 which will depend on the results of the IASB's reconsideration of IFRS 9's classification and measurement requirements and the outcome of the other phases in the development of IFRS 9

2 Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements

3. Operating expenses

The auditor's remuneration for statutory audit work for the Company was borne by Ulster Bank Ireland Limited Remuneration paid to the auditor for non-audit work for the Company was £nil (2011 £nil) Other than the amounts disclosed, no additional remuneration was payable to the auditors for any other services

The directors of the Company do not receive remuneration for specific services provided to the Company

4. Taxation

Current Taxation	2012 £	2011 £
United Kingdom corporation tax at 24.5% (2011 26%)		
UK corporation tax charge for the year	**61,890**	63,980
Under provision in respect of prior periods	**1,213**	-
Tax charge for the year	**63,103**	63,980

4. Taxation (continued)

The actual tax charge differs from the expected tax charge computed by applying the standard blended UK corporation tax rate of 24 5% (2011 26%) as follows

	2012 £	2011 £
Profit/(loss) on ordinary activities before taxation·	**252,612**	(15,164)
Expected tax charge/(credit)	**61,890**	(3,942)
Adjustments in respect of prior periods	**1,213**	67,922
Actual tax charge for the year	**63,103**	63,980

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013 Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the balance sheet date

5. Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 Assets and liabilities outside the scope of IAS 39 are shown separately

2012	Loans and receivables £	Other amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Amounts due from Group undertakings	55,829,889	–	–	**55,829,889**
	55,829,889	–	–	**55,829,889**
Liabilities				
Amounts due to Group undertakings	–	10,564,638	–	**10,564,638**
Current tax liabilities	–	–	61,890	**61,890**
	–	10,564,638	61,890	**10,626,528**
Equity				**45,203,361**
				55,829,889

5. Financial instruments (continued)

2011	Loans and receivables £	Other amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Amounts due from Group undertakings	50,655,146	–	–	50,655,146
	50,655,146	–	–	50,655,146
Liabilities				
Amounts due to Group undertakings	–	5,577,314	–	5,577,314
Current tax liabilities	–	–	63,980	63,980
	–	5,577,314	63,980	5,641,294
Equity				45,013,852
				50,655,146

There are no material differences between the carrying value and fair value of financial instruments

Financial assets are due from Group undertakings located in the Republic of Ireland, are repayable on demand and fall into the finance industry category

6. Risk management

The Company's risk management function is fully integrated with the risk management function of the Group As a result, the policies and procedures used to manage risk have been incorporated within those of the Group

The major risks to which the Company is exposed are operational, currency, liquidity and interest rate risk The Group has established clear risk policies, including limits, reporting lines and control procedures This framework is designed to provide tight control and is reviewed regularly by both Executive and Board Committees

The Group has established a comprehensive framework for managing risks which is continually evolving as the Group's business activities change in response to market, credit, product and other developments

Operational risk

Operational risks are inherent in the Company's business Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events The key mitigating processes and controls include risk and control assessment, scenario analysis, loss data collection, new product approval process, key risk indicators, notifiable events process and the self certification process The implementation of these processes and controls is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework

Currency risk

The Company is exposed to foreign currency risk due to the difference between the assets and liabilities held by the Company with a source currency other than GBP

The Company manages currency risk by ensuring that there is consistency in the currency profile of its assets and liabilities, and limiting any currency mismatches

At 31 December 2012, a 1% strengthening of foreign currencies would result in a loss of £59,852 (2011 loss £61,414) while a 1% weakening of foreign currencies would result in a gain of £61,062 (2011 gain £62,655)

6 Risk management (continued)

Liquidity risk
Liquidity risk arises where assets and liabilities have different contractual maturities

Management focuses on both overall Balance Sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the Balance Sheet and from undrawn commitments and other contingent obligations It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO)

The Company manages its liquidity risk by having access to Group funding

Interest rate risk
Structural interest rate risk arises where assets and liabilities have different repricing maturities

The financial assets of the Company consist of amounts due from Group undertakings and the financial liabilities consist of amounts due to Group undertakings Interest is earned on the amounts due from UBIL based on money market rates The amounts due to Group undertakings do not have any interest rate risk as they are all non-interest bearing

7 Share capital

Equity shares	2012 £	2011 £
Authorised		
100,000,000 Ordinary Shares of £1	**100,000,000**	100,000,000
Allotted, called up and fully paid		
2 Ordinary Shares of £1	**2**	2

The Company has one class of Ordinary Shares which carry no right to fixed income

8 Capital resources

The Company's capital consists of equity comprising issued share capital and retained earnings The Company is a member of the Ulster Bank Group of companies which has regulatory disciplines over the use of capital In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base it is not separately regulated

9 Related parties

The Company's immediate parent company is UBIL

The Company's ultimate holding company and the parent of the largest group into which the Company is consolidated is the RBS Group, a company which is incorporated in Great Britain and registered in Scotland Copies of the consolidated accounts of RBS plc and the RBS Group may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ

The smallest subgroup into which the Company is consolidated is Ulster Bank Ireland Limited, a company incorporated in the Republic of Ireland The financial statements for Ulster Bank Ireland Limited can be obtained from The Secretary, Ulster Bank Group Centre, George's Quay, Dublin 2

UK Government
On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of the RBS Group The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government As a result, the UK Government and UK Government controlled bodies became related parties of the Company

The Company enters into transactions with these bodies on an arms' length basis, they include the payment of taxes including UK corporation tax and rates

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Related parties (continued)

Group undertakings
Transactions with other Group companies in the period 1 January to 31 December comprised

	2012 £	2011 £
Revenue (interest receivable).		
UBIL	**410,376**	389,945

Balances with other Group companies as at 31 December 2012 comprised

Assets	2012 £	2011 £
Amounts due from Group undertakings		
UBIL	**49,936,602**	44,608,046
Other related parties, including fellow subsidiaries	**5,893,287**	6,047,100
	55,829,889	50,655,146

Liabilities		
Amounts due to Group undertakings		
UBIL	**5,662,578**	353,485
Other related parties, including fellow subsidiaries	**4,902,060**	5,223,829
	10,564,638	5,577,314

Capital Support Deed
The Company, together with other members of the RBSG group, is party to a capital support deed (CSD) Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its Ordinary Shares The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources) together with any amounts distributed to it by its subsidiaries pursuant to the CSD The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources

Key management
The Company is a subsidiary of the RBS Group whose policy is for companies to bear the costs of their full time staff The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee The emoluments of the directors of the Company are met by the Group

The directors of the Company do not receive remuneration for specific services provided to the Company

10. Events since the year end

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements