Ulster Bank Group

R2

R

00047013

ULSTER BANK GROUP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

CONTENTS

REPORT OF THE DIRECTORS

The Directors of Ulster Bank Ltd ("the Bank") have pleasure in presenting their report, together with audited financial statements for the year ended 31 December 2003.

Business Review and Future Development
The consolidated profit before taxation of the Bank and its subsidiaries (together "the Group") was £264m compared to £213m from the previous year.

The Directors consider the Group to be in a strong financial position and confirm that the Group has adequate resources to continue in business for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements. The Group continues to review opportunities in the financial services sector.

The Directors recommend a second interim dividend of £25m (2002: £12.5m) on the ordinary shares which, together with the first interim dividend of £22m (2002: £6.5m), gives a total dividend on ordinary shares of £47m (2002: £19m) (excluding special dividend payments) for the financial year.

The Directors recommend the payment of a special dividend of £100m (2002: £136m) in line with the intra-group dividend policy established by the parent undertaking.

Dividends of £5m (2002: £5m) were paid on preference shares during the financial year.

Activities
The Group provides an extensive range of banking and financial services in Ireland.

Retail Banking, which has branch networks in both Northern Ireland and the Republic of Ireland, operates in the personal and commercial sectors where it undertakes lending and deposit taking. It is also active in credit and debit card operations and in wealth management.

Corporate Banking and Financial Markets provides a wide range of investment banking products and services to the corporate and institutional markets, which include foreign exchange, money market services and lending.

Business Disposal
On 31 October 2003, the Group disposed of its stockbroking operations with the sale of NCB Group Ltd and its subsidiaries. A loss on disposal of £9m is included in the results for the year.

Post Balance Sheet Events
On 5 January 2004, by way of a scheme of arrangement under section 201 of the Irish Companies Act 1963, Ulster Bank Limited acquired the entire issued share capital of First Active plc. for a consideration of €887,000,000 (£626,000,000). Further details of this transaction are set out in note 41 to the Financial Statements.

Corporate Governance
The Bank's status is ultimately as a wholly owned subsidiary of the Royal Bank of Scotland Group plc. As such the Directors have adopted all appropriate aspects of The Combined Code (Principles of good governance and code of best practice) as recommended by the Committee on Corporate Governance (The "Hampel" Committee), and the guidance 'Internal Control: Guidance for Directors on the Combined Code' (the "Turnbull" guidance) issued by the Institute of Chartered Accountants in England and Wales.

The Board of Directors is responsible for the Group's system of internal control that is designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. In devising internal controls, the Directors have regard to the nature and extent of risks, the likelihood of crystallisation and the cost of controls. It is however possible for internal controls to be circumvented or overridden. A system of internal control can be designed to manage but not eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against the risk of material misstatement, fraud or losses.

REPORT OF THE DIRECTORS *(continued)*

The effectiveness of the Group's internal control system is reviewed regularly by the Board and the Audit Committee, all of whose members are Non-Executive Directors. Executive Management Committees within the Group's businesses receive quarterly reports on significant risks facing their business and how they are being controlled. These reports are combined and submitted to the Board as quarterly risk and control assessments. The Audit Committee also receives regular reports from Group Risk Management, Group Finance and Group Internal Audit. In addition, the Group's independent auditors present to the Audit Committee reports that include details of any significant internal control matters which they have identified. The system of internal controls of the authorised institutions and other regulated entities in the Group are also subject to regulatory oversight in the United Kingdom, Republic of Ireland and Isle of Man as appropriate to each relevant legal entity.

Directorate

The names and brief biographical details of the current members of the Board are shown on pages 52-54. Mr M Rafferty and Mr DJ O'Neill retired as directors on 10 April 2003 and 30 June 2003 respectively. On 6 January 2004 Mr MJ Wilson was appointed as Deputy Chairman and Mr CM McCarthy and Mr MG Torpey were appointed as Group Chief Executive and Group Finance Director respectively.

Company Secretary

Mr DJ Peacock was appointed as Company Secretary on 10 April 2003 in place of Ms JEA Gribbon, who resigned on that date.

Directors' Interests

No Director had an interest in the shares of the Bank. A table showing the interests of Directors in the Ordinary Shares of the Royal Bank of Scotland Group plc is set out in note 39 to the financial statements.

Employees

The average number of persons employed by the Group was 4,987. Of these, 2,353 worked wholly or mainly in the United Kingdom and the remuneration paid or payable to them was £55m in total.

Staff Involvement

The Group encourages employee involvement through a process of communication and consultation held by senior managers. This involves internal communications activities through a corporate intranet, an in-house magazine, team meetings led by line managers, briefings held by senior managers and regular dialogue with employees and employee representatives.

The importance the Group places on consultation is evidenced by its annual, Group-wide opinion survey, which seeks views on a variety of topics including leadership, communications, involvement, training and development. The Bank is represented on the European Employee Communication Council which facilitates dialogue amongst employee representatives in the European Economic Area

It is very important to us that our people are able to share in the success of the wider Royal Bank of Scotland Group plc through profit sharing and sharesave schemes. These programmes reinforce the shared goals between the organisation and its people as well as encouraging positive motivation, commitment and productivity.

Employment of Disabled Persons

The Group's policy is that disabled persons are considered for employment and subsequent training, career development and promotion based on merit. If members of staff become disabled, it is the Group's policy, wherever possible, to retain them in their existing jobs or to re-deploy them in other duties.

REPORT OF THE DIRECTORS *(continued)*

Diversity
The attainment of an effective equal opportunities policy is a natural and integral part of good management practice. Key elements of our policy are an intention to develop and treat people fairly and create an environment within which staff can develop to their full potential. It is the Group's policy to comply with the relevant provisions of legislation and have regard to Codes of Practice affecting employment practices. Through our Managing Diversity Programme, we aim to value and engage individual difference and maximise inclusion to create a positive experience for our people and our customers.

Our commitment to diversity underpins our desire to be the financial services provider of choice for our customers and to be the employer of choice for our people. The Group will recruit, retain, develop and promote people based solely on merit regardless of their disability, gender, political opinion, race, religious belief or any other characteristics.

Health and Safety
The Group is committed to ensuring the health, safety and welfare of its employees and customers. There is a continuous programme of monitoring and evaluating policies and procedures to ensure that they comply with legislation and best practice whilst ensuring they meet operational business requirements.

Suppliers
The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

At 31 December 2003, the amount owed to trade creditors by the Group and the Bank, expressed as a proportion of the amounts invoiced by suppliers during the year then ended, was 24 and 23 days respectively (2002: 26 and 23 days respectively).

Contributions
During the year the Group made donations totalling £243,000 (2002: £123,000) to charitable organisations in the United Kingdom.

Elective Regime
The shareholder has elected not to hold an annual general meeting or to present the financial statements to the shareholder at a general meeting.

Auditors
On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 11 September 2003 under the provisions of Article 29(5) of the Companies (NI) Order 1990. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of Article 392(2) of the Companies (NI) Order 1986.

By Order of the Board

D J Peacock
Secretary

11-16 Donegall Square East
Belfast
BT1 5UB

12 February 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and the Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that these financial statements comply with the aforementioned requirements.

By Order of the Board

D Peacock
Secretary

11-16 Donegall Square East
Belfast
BT1 5UB

12 February 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ULSTER BANK LIMITED

We have audited the financial statements of Ulster Bank Limited for the year ended 31 December 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the balance sheets and the related notes 1 to 42. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Bank's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' 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 Bank and the Bank'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 described in the statement of Directors' responsibilities, the Bank's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Bank and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Deloitte & Touche LLP.

Deloitte & Touche LLP - Chartered Accountants and Registered Auditors, Belfast

12 February 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT - *for the year ended 31 December 2003*

	Notes	2003 £m	2002 £m
Interest receivable:			
- interest receivable and similar income arising from debt securities		28	47
- other interest receivable and similar income		579	506
		607	553
Interest payable		(211)	(214)
Net interest income		396	339
Fees and commissions receivable		178	155
Fees and commissions payable		(29)	(23)
Dealing profits	2	32	36
Other operating income		6	5
Non-interest income		187	173
Total income		583	512
Administrative expenses:	3		
- staff and other administrative expenses before restructuring costs		(253)	(232)
- restructuring costs		-	(19)
Depreciation and amortisation	4	(25)	(25)
Operating expenses		(278)	(276)
Group profit before provisions for bad and doubtful debts		305	236
Provisions for bad and doubtful debts	14	(32)	(22)
Group operating profit		273	214
Loss on disposal of subsidiary	4	(9)	(1)
Group profit on ordinary activities before taxation	4	264	213
Taxation on Group profit on ordinary activities	6	(63)	(45)
Group profit on ordinary activities after taxation		201	168
Minority interests – equity		-	-
Group profit attributable to the shareholders of Ulster Bank Limited	7	201	168
Dividends	8	(152)	(160)
Retained profit for the year	29	49	8

On 31 October 2003, the Group disposed of its stock-broking business with the sale of NCB Group Ltd and its subsidiaries. These operations had contributed £21m to total income and £5m to Group operating profit in 2003 (see note 31).

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Group profit after taxation for the financial year		201	168
Other recognised gains			
- exchange rate translation differences	1, 29	42	29
- surplus on revaluation of properties	1, 29	2	2
Total recognised gains for the year		245	199

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

In 2003 and 2002, there was no material difference between Group profit on ordinary activities before taxation reported in the profit and loss account and Group profit on ordinary activities before taxation on an unmodified historical cost basis.

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Retained profit for the year		49	8
Exchange rate translation differences	1, 28, 29	51	35
Surplus on revaluation of properties	1, 29	2	2
Net increase in shareholders' funds		102	45
Opening shareholders' funds:			
- equity interests		872	833
- non-equity interests		104	98
Closing shareholders' funds:			
- equity interests		965	872
- non-equity interests		113	104

CONSOLIDATED BALANCE SHEET - *at 31 December 2003*

	Notes	2003 £m	2002 £m
Assets			
Cash and balances at central banks	10	157	125
Treasury and other eligible bills	11	1	1
Loans and advances to banks	12	2,766	1,618
Items in the course of collection from other banks		106	121
Loans and advances to customers	13	11,881	9,200
Debt securities	16	903	795
Equity shares	17	8	9
Intangible fixed assets	19	-	8
Tangible fixed assets	20	191	196
Other assets	21	753	822
Prepayments and accrued income		88	94
Total Assets	9	16,854	12,989
Liabilities			
Deposits by banks	22	3,161	1,524
Items in the course of transmission to other banks		15	21
Customer accounts	23	10,145	8,945
Debt securities in issue	24	947	150
Other liabilities	25	1,210	1,078
Accruals and deferred income		111	101
Provisions for liabilities and charges:			
- deferred taxation	26	12	12
Subordinated liabilities:			
- undated loan capital	27	-	15
- dated loan capital	27	174	165
Minority interests – equity		1	2
Called up share capital	28	218	209
Revaluation reserve	29	61	56
Profit and loss account	29	799	711
Shareholders' funds:			
– equity interests		965	872
– non-equity interests		113	104
Total Liabilities	9	16,854	12,989
Memorandum Items	33		
Contingent liabilities:			
- acceptances and endorsements		2	4
- guarantees and assets pledged as collateral security		199	100
- other contingent liabilities		187	290
Total contingent liabilities		388	394
Commitments:			
- other commitments		3,885	3,108

These financial statements were approved by the Board of Directors on 12 February 2004 and signed on its behalf by

A R Gillespie
C McCarthy
M Torpey

Ulster Bank Limited

COMPANY BALANCE SHEET - *at 31 December 2003*

	Notes	2003 £m	2002 £m
Assets			
Cash and balances at central banks	10	52	42
Loans and advances to banks	12	2,171	1,218
Items in the course of collection from other banks		30	26
Loans and advances to customers	13	3,210	2,677
Debt securities	16	750	603
Shares in Group undertakings	18	1,055	957
Tangible fixed assets	20	100	108
Other assets	21	7	9
Prepayments and accrued income		25	31
Total Assets	9	7,400	5,671
Liabilities			
Deposits by banks	22	2,031	971
Items in the course of transmission to other banks		7	11
Customer accounts	23	3,313	3,094
Debt securities in issue	24	311	130
Other liabilities	25	451	300
Accruals and deferred income		34	31
Provisions for liabilities and charges:			
- deferred taxation	26	1	1
Subordinated liabilities:			
- dated loan capital	27	174	165
Called up share capital	28	218	209
Revaluation reserve	29	759	679
Profit and loss account	29	101	80
Shareholders' funds:			
- equity interests		965	864
- non-equity interests		113	104
Total Liabilities	9	7,400	5,671
Memorandum items	33		
Contingent liabilities:			
- acceptances and endorsements		1	1
- guarantees and assets pledged as collateral security		1,052	57
- other contingent liabilities		57	56
Total contingent liabilities		1,110	114
Commitments:			
- other commitments		1,144	970

These financial statements were approved by the Board of Directors on 12 February 2004 and signed on its behalf by

A R Gillespie
C McCarthy
M Torpey

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

1. Accounting Policies

The principal accounting policies are set out below.

Accounting convention and bases of consolidation

The Bank and Group financial statements have been prepared under the historical cost convention supplemented by the revaluation of certain land and buildings and shares in Group undertakings and in compliance with the special provisions contained in Part VIII of, and Schedule 9 to, the Companies (Northern Ireland) Order 1986 relating to Banks and Banking groups and in accordance with applicable accounting standards in the UK and with the Statements of Recommended Accounting Practice issued by the British Bankers Association and the Irish Bankers Federation. The accounts are drawn up in sterling (£) and except where otherwise indicated are expressed in millions. To avoid undue delay in the presentation of the Group's accounts, the financial statements of certain subsidiary undertakings have been made up to 30 November. There have been no changes in respect of those subsidiary undertakings with 30 November year ends in the period between their balance sheet dates and 31 December that materially affect the view given by the Group's financial statements.

Revenue recognition

Interest receivable is credited to the profit and loss account as it accrues unless there is significant doubt that it can be collected (as described in the accounting policy on loans and advances). Fees receivable that represent a return for services provided are recognised in the profit and loss account so as to match the cost of providing the service. Certain front-end lending fees are recognised over the life of the loan.

Goodwill

The excess of the cost of shares in subsidiary and associated undertakings over the fair value of underlying separable net assets at the date of acquisition and other purchased goodwill are capitalised as intangible assets and amortised over their useful economic lives. Capitalised goodwill is amortised over periods of up to 20 years. The gain or loss on the disposal of a subsidiary or associated undertaking is calculated by comparing the carrying value of the net assets sold and any unamortised goodwill with the proceeds received.

Foreign currencies

Monetary assets and monetary liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. Profit and loss accounts of overseas subsidiary and associated undertakings are translated at average rates of exchange for the period. Exchange differences arising from the application of closing rates of exchange to the opening net assets of overseas subsidiary and associated undertakings and from restating their results from average to year-end rates are taken to the reserves, together with exchange differences arising on related foreign currency borrowings.

Pension costs

The Group provides post-retirement benefits in the form of pensions to eligible employees. The cost of defined benefit pension schemes is assessed by independent professionally qualified actuaries and recognised on a systematic basis over employees' service lives. Contributions to defined contribution pension schemes are recognised in the profit and loss account when payable.

The Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for pension costs". Financial Reporting Standard ("FRS") 17 "Retirement Benefits", which is to replace SSAP 24, will be implemented as permitted in the standard over a transitional period (note 30).

Lease income receivable

Total gross earnings under finance leases are allocated to accounting periods using the actuarial after tax method to give a constant periodic rate of return on the net cash investment. Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease. Progress payments made prior to the commencement of the lease are included at cost. Rental income from operating leases is credited to the profit and loss account on a receivable basis over the term of the lease.

1. Accounting Policies (continued)

Taxation
Provision is made for taxation at current enacted rates on the taxable profits taking into account relief for overseas taxation where appropriate. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences, except in relation to revaluations of fixed assets where there is no commitment to dispose of the asset, gains on sales of fixed assets that are rolled over into replacement assets, and the remittance of overseas earnings. Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

Loans and advances
Specific provisions are made against loans and advances when, as a result of a detailed appraisal of the portfolio, it is considered that recovery is doubtful. The general provision is made to cover bad and doubtful debts that have not been separately identified at the balance sheet date but are known to be present in any portfolio of advances. The level of general provision is determined in the light of past experience, current economic and other factors affecting the business environment and the Group's monitoring and control procedures, including the scope of specific provisioning procedures. Provisions made (less amounts released and recoveries of amounts written off in previous years) are charged against profits. Interest receivable on doubtful loans and advances is brought into the profit and loss account as it accrues provided that its collectability is not subject to significant doubt. When there is significant doubt that interest receivable can be collected, it is excluded from the profit and loss account and credited to an interest suspense account. Loans and advances are written off in part or in whole when there is no realistic prospect of recovery.

Debt securities and equity shares
Debt securities and equity shares intended for use on a continuing basis in the Group's activities are classified as investment securities and are stated at cost less provision for any impairment. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts over periods to redemption and the amortisation is included in interest receivable. Debt securities held for the purpose of hedging are carried at a value which reflects the accounting treatment of the items hedged. Debt securities and equity shares held for dealing purposes are carried at fair value, with changes in fair value recognised in the profit and loss account.

Shares in Group undertakings and interests in associated undertakings
The Group's share of associated undertakings' results is included in the Group profit before taxation and interests in associated undertakings are included in the consolidated balance sheet at the Group's share of net assets. The Bank's interests in associated and Group undertakings are included in the balance sheet at its share of net assets.

Tangible fixed assets
Freehold and long leasehold properties are revalued on a rolling basis, each property being revalued at least every five years. Other tangible fixed assets are stated at cost less depreciation and provisions for impairment. Costs of adapting premises for the use of the Group are separately identified and depreciated.

Tangible fixed assets are depreciated over their estimated economic lives on a straight-line basis, as follows:

Land	not depreciated
Freehold and long leasehold buildings	50 years
Short leaseholds	unexpired period of the lease
Computer and other equipment	4-10 years

Assets on operating leases are depreciated over their estimated useful lives on a straight-line basis.

Derivatives
A description of the derivatives into which the Group enters for both trading and non-trading purposes is given in note 35. The accounting treatment for these instruments is dependent upon whether they are entered into for trading or non-trading (hedging) purposes.

1. Accounting Policies (continued)

Derivatives (continued)

Trading. Derivatives held for trading purposes are recognised in the accounts at fair value. Gains or losses arising from changes in fair value are included in dealing profits in the consolidated profit and loss account. Fair value is based on quoted market prices. Where representative market prices are not available, the fair value is determined from current market information using appropriate pricing or valuation models. Adjustments are made to quoted market prices where appropriate to cover credit risk, liquidity risk and future operational costs. In the consolidated balance sheet, positive fair values (assets) of trading derivatives are included in Other assets and negative fair values (liabilities) in Other liabilities. Positive and negative fair values of trading derivatives are offset where the contracts have been entered into under master netting agreements or other arrangements that give a legally enforceable right of set-off.

Non-trading. Non-trading derivatives are entered into by the Group to hedge exposures arising from transactions entered into in the normal course of banking activities. They are recognised in the accounts in accordance with the accounting treatment of the underlying transaction or transactions being hedged. To be classified as non-trading, a derivative must significantly reduce the risk inherent in the hedged item from potential movements in interest rates, exchange rates and market values. In addition, there must be a demonstrable link to an underlying transaction, pool of transactions or specified future transaction or transactions. Specified future transactions must be reasonably certain to arise for the derivative to be accounted for as a hedge. In the event that a non-trading derivative transaction is terminated or ceases to be an effective hedge, the derivative is remeasured at fair value and any resulting profit or loss amortised over the remaining life of the underlying transaction or transactions being hedged. If a hedged item is derecognised, or a specified future transaction is no longer likely to occur, the related non-trading derivative is remeasured at fair value and the resulting profit or loss taken to the profit and loss account.

Sale and repurchase transactions
Securities which have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the purchase price is treated as a loan. The difference between the sale price and the repurchase price is accrued evenly over the life of the transactions and charged or credited to the profit and loss account as interest payable or receivable.

Cash flow statement
The Group is ultimately a wholly owned subsidiary of the Royal Bank of Scotland Group plc and the cash flows of the Group are included in the consolidated Group cash flow statement of the Royal Bank of Scotland Group plc. Consequently the Group is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

2. Dealing Profits

	2003 £m	2002 £m
Foreign exchange (1)	25	26
Securities (2)	3	4
Interest rate derivatives (3)	4	6
	32	36

Dealing profits include interest income and expense recognised on trading-related interest-earning assets and interest-bearing liabilities.

(1) Includes spot and forward exchange contracts and currency swaps, futures and options and related hedges

(2) Includes debt securities, equities and equity derivatives and related hedges

(3) Includes interest rate swaps, forward rate agreements, interest rate options, futures and related hedges

3. Administrative Expenses

	Before Restructuring 2003 £m	Restructuring 2003 £m	Total 2003 £m	Before Restructuring 2002 £m	Restructuring 2002 £m	Total 2002 £m
Staff Costs:						
- wages and salaries	140	-	140	128	16	144
- social security costs	11	-	11	11	-	11
- other pensions costs	12	-	12	6	-	6
	163	-	163	145	16	161
Other administrative expenses	90	-	90	87	3	90
	253	-	253	232	19	251

Restructuring costs in 2002 relate to a re-organisation of the Group's infrastructure which was completed on 31 December 2002.

4. Group Profit on Ordinary Activities before Taxation

Is stated after:

		2003 £m	2002 £m
(a)	EXPENDITURE		
(i)	Charges incurred with respect to subordinated liabilities	6	4
(ii)	Operating lease rentals:		
	- property	10	9
	- hire of computers and equipment	2	1
(iii)	Depreciation and amortisation		
	- tangible fixed assets	24	23
	- intangible fixed assets	1	2

(b) AUDITORS' REMUNERATION

The auditors' remuneration for statutory audit work was £95,000 for the Bank (2002: £92,000) and £218,000 for the Group (2002: £242,000). Remuneration paid to the auditors of the company for non-audit work for the Group was £6,000 for work in the United Kingdom (2002: £214,000) and £11,000 for work in the Republic of Ireland (2002: £68,000).

(c) DISPOSAL OF SUBSIDIARIES

On 31 October 2003 the Group disposed of its stock-broking business with the sale of NCB Group Ltd and its subsidiaries. These operations had contributed £21m to total income and £5m to Group operating profit in 2003 (see note 31).

5. Emoluments of Directors

	2003 £	2002 £
Total emoluments received by Directors	1,591,000	1,790,000
Compensation for loss of office	813,000	794,000

	2003	2002
Number of Directors to whom retirement benefits are accruing under defined benefit schemes	6	9

Performance related bonuses are awarded on the basis of measuring annual performance against certain specified financial targets, which include both corporate performance objectives and key strategic objectives.

Compensation of £220,263 was paid in respect of loss of office to a former director. The director also received an immediate accrued pension, the actuarial valuation of this pension has been calculated at £593,110.

The total emoluments of the highest paid Director were £441,022 (2002: £526,504). At 31 December 2003 the accrued pension, under a defined benefit scheme, for the highest paid Director was £172,980 (2002: £158,653). During the year the highest paid Director did exercise certain share options but was not awarded shares under a long term incentive scheme.

Details of share options exercised by Directors, are separately disclosed in note 39.

6. Tax on Profit on Ordinary Activities

	2003 £m	2002 £m
United Kingdom Corporation Tax at 30% (2002: 30%)		
Corporation Tax on profit for the year	26	21
Corporation Tax (over)/under provision for prior years	(1)	1
	25	22
Overseas Taxation		
(Republic of Ireland Corporation Tax at 12.5% (2002: 16%))	38	23
Total Current Taxation	63	45
Deferred Taxation		
Current year deferred tax charge	-	1
Prior year deferred tax charge	-	(1)
	63	45

6. Tax on Profit on Ordinary Activities (continued)

The standard rate of tax for the year, based on the UK standard rate of Corporation Tax is 30%. The actual tax charge for the current and previous year is lower than the standard rate for the reasons set out below:

	2003 £m	2002 £m
Profit on ordinary activities before taxation	264	213
Tax on profit on ordinary activities at the standard rate	79	64
Factors affecting the charge for the year:		
Foreign tax charged at lower rates than the UK	(22)	(23)
Income not taxable (primarily dividend income)	(2)	(1)
Exchange gains/(losses) recognised in reserves	-	2
Other timing differences (general provisions)	(1)	1
Expenses not deductible for tax purposes	5	1
Government Levy	5	-
Adjustments to tax charge in respect of prior years	(1)	1
Total actual amount of current tax	63	45

No provision has been made for deferred tax on revaluing properties to their market value. The tax on the gains arising would only become payable if the properties were sold without rollover relief being available. The tax which would become payable in such circumstances would not exceed £17m. These assets are expected to be used in the continuing operations of the business, therefore no tax is expected to be paid in the forseeable future.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the earnings are continually reinvested in the business by the Group, therefore no tax is expected to be payable on them in the foreseeable future.

7. Profit dealt with in the Financial Statements of the Bank

Of the profit after tax for the financial year, £164,476,000 (2002: £38,070,000) has been dealt with in the financial statements of the Bank. The profit and loss account of the Bank is not presented by virtue of the exemption contained within Article 238 of the Companies (Northern Ireland) Order 1986.

8. Dividends

	2003 pence per share	2002 pence per share	2003 £m	2002 £m
Equity dividends on ordinary shares:				
- first interim (paid)	20.95	6.25	22	7
- second interim (proposed)	23.81	11.90	25	12
- special (proposed)	95.24	129.52	100	136
Non equity dividends on preference shares:				
- interim (paid)	3.09	3.25	5	5
			152	160

The special dividend is proposed under the intra-group dividend policy and returns surplus capital to the parent undertaking.

9. Assets and Liabilities Denominated in Foreign Currency

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Denominated in sterling	5,691	6,596	4,618	5,079
Denominated in other currencies	11,163	804	8,371	592
Total assets	16,854	7,400	12,989	5,671
Denominated in sterling	5,996	6,734	4,945	5,126
Denominated in other currencies	10,858	666	8,044	545
Total liabilities	16,854	7,400	12,989	5,671

10. Cash and Balances at Central Banks

Cash and balances at central banks include Bank of England notes held in respect of the note circulation in Northern Ireland.

11. Treasury and Other Eligible Bills

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Other Securities:				
- treasury bills and similar securities	1	-	1	-

12. Loans and Advances to Banks

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Repayable on demand or at short notice	123	77	153	27
Other loans and advances by remaining maturity:				
- 3 months or less	1,190	1,861	1,095	1,013
- 1 year or less but over 3 months	612	100	328	60
- 5 years or less but over 1 year	841	100	42	65
- over 5 years	-	33	-	53
	2,766	2,171	1,618	1,218
Due from parent and fellow subsidiary undertakings	901	159	124	24
Due from subsidiary undertakings:				
- unsubordinated	-	1,958	-	1,114

Loans and advances to banks which have been offset with related borrowings amount to Group: £364,586,000 and Bank: £364,586,000 (2002 Group: £304,206,000, Bank: £304,206,000). These amounts relate to transactions with the parent company.

13. Loans and Advances to Customers

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Repayable on demand or short notice	1,917	784	2,046	656
Other loans and advances by remaining maturity:				
- 3 months or less	2,160	377	1,101	346
- 1 year or less but over 3 months	1,663	275	1,201	189
- 5 years or less but over 1 year	2,623	899	2,233	677
- over 5 years	3,634	904	2,704	838
General and specific bad and doubtful debt provisions	(116)	(29)	(85)	(29)
	11,881	3,210	9,200	2,677
Amounts are unsubordinated and include:				
Due from parent and fellow subsidiary undertakings	364	44	134	46
Due from subsidiary undertakings	-	215	-	147

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

14. Provisions for Bad and Doubtful Debts

	2003			2002		
	Specific £m	General £m	Total £m	Specific £m	General £m	Total £m
Group						
At 1 January	62	23	85	47	24	71
Exchange adjustments	5	2	7	1	1	2
Provisions on non-performing advances (1)	-	-	-	40	-	40
Charge against profits	32	-	32	20	2	22
Amounts written off	(9)	-	(9)	(29)	-	(29)
Recoveries	1	-	1	5	-	5
Disposal of subsidiaries	-	-	-	(22)	(4)	(26)
At 31 December	91	25	116	62	23	85
Amounts held in respect of loans and advances to customers			116			85

(1) The presentation of provisions on non-performing advances has changed in 2003. In 2002 provisions on non-performing advances were netted against loans and advances to customers. However in 2003 provisions on non-performing advances and loans and advances to customers are disclosed on a gross basis.

	2003			2002		
	Specific £m	General £m	Total £m	Specific £m	General £m	Total £m
Bank						
At 1 January	20	9	29	6	9	15
Provisions on non-performing advances (1)	-	-	-	15	-	15
Charge against profits	6	(3)	3	5	-	5
Amounts written off	(3)	-	(3)	(8)	-	(8)
Recoveries	-	-	-	2	-	2
At 31 December	23	6	29	20	9	29
Amounts held in respect of loans and advances to customers			29			29

(1) The presentation of provisions on non-performing advances has changed in 2003. In 2002 provisions on non-performing advances were netted against loans and advances to customers. However in 2003 provisions on non-performing advances and loans and advances to customers are disclosed on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

15. Non-Performing Advances

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Non-performing advances to customers:				
Gross loans and advances	200	57	109	30
Provision on non-performing advances (1)	-	-	40	15
Provision for bad and doubtful debts	(91)	(23)	(62)	(20)
	109	34	87	25

Non-performing advances are those on which interest is no longer being credited to the profit and loss account.

(1) The presentation of provisions on non-performing advances has changed in 2003. In 2002 provisions on non-performing advances were netted against loans and advances to customers. However in 2003 provisions on non-performing advances and loans and advances to customers are disclosed on a gross basis.

16. Debt Securities

The carrying value of debt securities is as follows:

Carrying value of debt securities	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Investment securities:				
- government securities	-	-	203	94
- other issuers	516	516	244	240
Total investment securities	516	516	447	334
Other securities:				
- government securities	-	-	35	-
- bank and building society certificates of deposits	387	234	313	269
Total other securities	387	234	348	269
Total debt securities	903	750	795	603
Debt securities becoming due:				
- within 1 year	431	274	400	348
- 1 year and over	472	476	395	255
Total debt securities	903	750	795	603

16. Debt Securities (continued)

Amounts above include:	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
- Unamortised premiums on investment debt securities	-	-	(2)	(2)
- Debt securities subject to sales and repurchase agreements	-	-	132	-

The market value of investment debt securities is as follows:

Market value of investment securities	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Investment securities:				
- government securities	-	-	210	96
- other issuers	516	516	244	240
Total investment securities	516	516	454	336

	2003 Carrying Value £m	2003 Market Value £m	2002 Carrying value £m	2002 Market value £m
Group				
Investment securities:				
- listed	516	516	447	454
Other debt securities:				
- listed	-	-	123	123
- unlisted	387	387	225	225
Total debt securities	903	903	795	802
Bank				
Investment securities:				
- listed	516	516	334	336
Other debt securities:				
- unlisted	234	234	269	269
Total debt securities	750	750	603	605

16. Debt Securities (continued)

Movements in debt securities which are held as investment securities were as follows:

Investment securities	Cost	Amortised discounts/ (premiums)	Carrying value
	£m	£m	£m
Group			
At 1 January 2003	450	(3)	447
Exchange adjustments	6	-	6
Acquisitions	304	-	304
Securities sold or matured	(244)	3	(241)
At 31 December 2003	516	-	516
Bank			
At 1 January 2003	337	(3)	334
Exchange adjustment	(1)	-	(1)
Acquisitions	304	-	304
Securities sold or matured	(124)	3	(121)
At 31 December 2003	516	-	516

17. Equity Shares

	2003 Carrying value £m	2003 Market value £m	2002 Carrying value £m	2002 Market value £m
Group				
Investment securities:				
- unlisted	5	5	5	5
	5	5	5	5
Other securities:				
- listed	3	3	4	4
	8	8	9	9

The Bank did not hold any listed or unlisted equity shares at 31 December 2003 or at 31 December 2002.

17. Equity Shares (continued)

Movements in equity shares which are held as investment securities were as follows:

	Cost £m	Provisions £m	Carrying Value £m
Group			
At 1 January 2003	5	-	5
Acquisitions	1	-	1
Provisions charged	-	(1)	(1)
At 31 December 2003	6	(1)	5

18. Shares in Group Undertakings

	Share of net tangible assets £m
Bank	
At 1 January 2003	957
Exchange adjustments	61
Disposals	(5)
Revaluation	42
At 31 December 2003	1,055

On 31 October 2003 the Group disposed of its stockbroking business with the sale of NCB Group Ltd and its subsidiaries. (see note 31)

Subsidiary undertakings comprise:	2003 £m	2002 £m
- banks	912	838
- other	143	119
Total – all unlisted	1,055	957

On the historical cost basis, shares in Group undertakings would have been included as follows:

	2003 £m	2002 £m
Cost and net book value	318	302

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

18. Shares in Group Undertakings (continued)

(a) The principal subsidiary undertakings included in the consolidated accounts of Ulster Bank Limited are:

Undertaking	Nature of business	Incorporated in	Accounting date
Ulster Bank Ireland Ltd	Banking services, corporate and investment banking, foreign exchange services	Republic of Ireland	31 December
Ulster Bank Commercial Services Ltd	Debtor finance	Republic of Ireland	31 December
Ulster Bank Finance PLC	Issue of debt instruments	Republic of Ireland	31 December
Ulster Bank (Isle of Man) Ltd	Banking	Isle of Man	31 December
Ulster Bank (Ireland) Holdings	Holding company	Republic of Ireland	31 December
Ulster Bank Holdings (ROI) Ltd	Investment company	Republic of Ireland	31 December
Ulster International Finance & Commercial Services Company	Asset financing	Northern Ireland	31 December
Ulster Investments Ltd	Investment Company	Northern Ireland	31 December

(b) The bank holds 100% of the ordinary share capital of all subsidiary undertakings apart from Ulster Bank Commercial Services Ltd where the holding is 90.9%, In all cases, the holding is equal to the voting rights.

19. Intangible Fixed Assets

	2003 £m	2002 £m
Goodwill		
Group		
Cost:		
At 1 January	18	22
Disposals	(18)	(4)
At 31 December	-	18
Amortisation:		
At 1 January	10	9
Charge for the year	1	2
Disposals	(11)	(1)
At 31 December	-	10
Net book value at 31 December	-	8

On 31 October 2003 the Group disposed of its stockbroking business with the sale of NCB Group Ltd and its subsidiaries. (See note 31)

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

20. Tangible Fixed Assets

	Freehold land and buildings £m	Leases of 50 years or more unexpired £m	Leases of 50 years or less unexpired £m	Computer and other equipment £m	Total £m
Group					
Cost or valuation:					
At 1 January 2003	96	26	8	162	292
Exchange adjustments	4	1	-	7	12
Additions	1	-	-	11	12
Disposals	-	-	-	(22)	(22)
Revaluations	2	-	-	-	2
At 31 December 2003	103	27	8	158	296
Accumulated depreciation:					
At 1 January 2003	3	1	3	89	96
Exchange adjustments	1	-	-	3	4
Disposals	-	-	-	(19)	(19)
Charge for the year	1	-	-	23	24
At 31 December 2003	5	1	3	96	105
Net book value:					
At 31 December 2003	98	26	5	62	191
At 31 December 2002	93	25	5	73	196
Bank					
Cost or valuation:					
At 1 January 2003	52	17	1	79	149
Exchange adjustments	1	-	-	-	1
Additions	-	-	-	6	6
Disposals	-	-	-	(6)	(6)
Revaluations	(2)	-	-	-	(2)
At 31 December 2003	51	17	1	79	148
Accumulated depreciation:					
At 1 January 2003	1	-	1	39	41
Exchange adjustment	-	-	(1)	2	1
Disposals	-	-	-	(6)	(6)
Charge for the year	1	-	-	11	12
At 31 December 2003	2	-	-	46	48
At 31 December 2003	49	17	1	33	100
At 31 December 2002	51	17	-	40	108

20. Tangible Fixed Assets (continued)

The Group's freehold and long-leasehold properties (over 50 years) are independently valued by professional valuers on a rolling basis, each property being revalued at least every five years, generally, on the basis of open market value for existing use. Northern Ireland properties are valued by Whelan Property Consultants Limited and the Republic of Ireland properties by GVA Donal O'Buachalla. The resulting surplus over the book value is credited to the Revaluation Reserve and the book values adjusted accordingly (see note 29).

Cost or valuation of freehold and Long-leasehold premises at 31 December comprises:	2003 Freehold land and buildings £m	2003 Leases of 50 years or more unexpired £m	2002 Freehold land and buildings £m	2002 Leases of 50 years or more unexpired £m
Group				
At valuation	102	15	94	14
At cost	1	12	2	12
	103	27	96	26
Bank				
At valuation	50	5	51	5
At cost	1	12	1	12
	51	17	52	17

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
On the historical cost basis, Freehold and long-leasehold premises would have been Included as follows:				
Net book value	67	45	62	45
Net book value of land and buildings occupied for own activities	115	57	108	58
Contracted expenditure not provided in the accounts	2	1	2	1

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

21. Other Assets

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Mark-to-market value of foreign exchange and interest rate contracts	605	5	422	6
Settlement balances	-	-	318	-
Other	148	2	82	3
	753	7	822	9

22. Deposits by Banks

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Repayable on demand	39	39	31	9
With agreed maturity dates or periods of notice, by remaining maturity:				
- 3 months or less but not repayable on demand	2,570	1,980	1,356	946
- 1 year or less but over 3 months	497	12	137	16
- 5 year or less but over 1 year	15	-	-	-
- over 5 years	40	-	-	-
	3,161	2,031	1,524	971
Amounts include:				
Due to parent and fellow subsidiary undertakings	625	15	130	183
Due to subsidiary undertakings	-	1,896	-	908

23. Customer Accounts

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Repayable on demand	5,573	2,161	4,305	1,668
With agreed maturity dates or periods of notice, by remaining maturity				
- 3 months or less but not repayable on demand	3,534	1,088	3,970	1,351
- 1 year or less but over 3 months	541	21	288	22
- 5 years or less but over 1 year	411	10	307	7
- over 5 years	86	33	75	46
	10,145	3,313	8,945	3,094
Amounts include:				
Due to parent and fellow subsidiary undertakings	462	-	105	61
Due to subsidiary undertakings	-	143	-	143

24. Debt Securities in Issue

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Bonds and medium term notes, by remaining maturity:				
- 1 year or less or on demand	1	-	16	-
- 2 years or less but over 1 year	-	-	1	-
- 5 years or less but over 2 years	3	-	3	-
	4	-	20	-
Other debt securities in issue, by remaining maturity:				
- 3 months or less	891	301	130	130
- 1 year or less but over 3 months	52	10	-	-
	943	311	130	130
	947	311	150	130

25. Other Liabilities

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Short positions in securities	-	-	4	-
Mark-to-market value of foreign exchange and interest rate contracts	644	4	371	5
Settlement balances	-	-	312	-
Taxation, due within one year	13	6	24	4
Notes in circulation	303	303	269	269
Dividends payable	125	125	17	17
Other liabilities	125	13	81	5
	1,210	451	1,078	300

26. Deferred Taxation

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
The potential liability and amounts provided at the rates at which the liabilities are expected to crystallise are:				
Short-term timing differences	4	2	4	2
Capital allowances	14	1	13	2
General bad debt provision	(4)	(2)	(4)	(3)
Pension accruals	(2)	-	(1)	-
	12	1	12	1

26. Deferred Taxation (continued)

Full provision is made for all deferred taxation liabilities except for those which might arise in the event of:

(i) the properties of the Group being realised at the balance sheet value. These assets are expected to be used in the continuing operations of the business and therefore no tax is expected to be paid in the foreseeable future.

(ii) the reserves of Republic of Ireland subsidiary undertakings, a substantial proportion of which are required to be retained by these undertakings to meet their local regulatory requirements, being remitted.

PROVISIONS FOR LIABILITIES AND CHARGES - DEFERRED TAX

	Group £m	Bank £m
Balance at 1 January 2003	12	1
(Credit)/charge to profit and loss account	(1)	-
Exchange and other movements	1	-
Balance at 31 December 2003	12	1

27. Loan Capital

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Undated:				
- held by fellow subsidiary undertaking (redeemed June 2003)	-	-	15	-
	-	-	15	-
Dated:				
Repayable 2013:				
- held by fellow subsidiary undertaking	22	22	22	22
Repayable 2014:				
- held by immediate parent company	20	20	20	20
Repayable 2015:				
- held by immediate parent company	20	20	20	20
Euro loan capital repayable 2017:				
- held by immediate parent company	112	112	103	103
	174	174	165	165

Claims in respect of the Group's and Bank's loan capital are subordinate to the claims of other creditors. None of the loan capital is secured.

Interest on the Sterling-denominated dated loan capital held by fellow subsidiary undertakings and the immediate parent company is payable quarterly at a margin over London Interbank Offer rates. Interest on Euro-denominated dated loan capital is payable quarterly at a margin over Euro Interbank Offer rates.

Early repayment of the dated loan capital due 2013, 2014, 2015 and 2017 held by a fellow subsidiary undertaking and the immediate parent company may take place at any time with a notice period of at least 30 days.

27. Loan Capital (continued)

Early repayment of loan capital is subject to the prior consent of the Financial Services Authority and, in the case of the undated loan capital held by a fellow subsidiary undertaking, prior consent of the Central Bank of Ireland is also required.

28. Called Up Share Capital

	Authorised		Allotted, called up and fully paid	
	Number of shares in millions	£m	Number of shares in millions	£m
Equity Shares				
Ordinary Shares of £1 each				
At 1 January and 31 December 2003	150	150	105	105

	Authorised		Allotted, called up and fully paid	
	Number of shares in millions	£m	Number of shares in millions	£m
Non-Cumulative Redeemable Preference Shares of €1 each				
At 1 January 2003	200	130	160	104
Exchange adjustments	-	11	-	9
At 31 December 2003	200	141	160	113
Share Capital as at 31 December 2003				218

The non-cumulative redeemable preference shares entitle the holders thereof to receive periodic non-cumulative cash dividends at a specified floating rate payable out of distributable profits of the Bank. In a winding-up the holders of the preference shares have the right to repayment in priority to the holders of any other class of shares in the capital of the Bank. Any surplus assets available after repayment of the preference and ordinary shares will be distributable to the holders of the £1 ordinary shares.

The non-cumulative redeemable preference shares do not confer on the holder a right to attend or vote at general meetings of the Bank unless the business of the meeting includes the consideration of a resolution for winding up of the Bank or reducing its share capital or varying any of its special rights attached to the preference shares.

Subject to the provisions of the Companies (Northern Ireland) Order 1986 and to the consent of the Financial Services Authority, the Bank shall have the right to redeem the preference shares at any time by notice to the holders provided that no such notice may be issued in respect of any preference share prior to the day following the fifth anniversary of the date of its allotment.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

29. Reserves

Equity reserves are analysed below:

	Revaluation reserve £m	Profit and loss account £m	Total £m
Group			
At 1 January 2003	56	711	767
Exchange adjustments	3	39	42
Retained profit for the year	-	49	49
Revaluation surplus – property	2	-	2
At 31 December 2003	61	799	860
Bank			
At 1 January 2003	679	80	759
Exchange adjustments	46	8	54
Retained profit for the year	-	8	8
Transfer to realised profit	(5)	5	-
Revaluation surplus - group undertakings	41	-	41
- property	(2)	-	(2)
At 31 December 2003	759	101	860

30. Other Pension Costs

The Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Pension Costs" and the disclosures given in (a) are those required by that standard. Full implementation of Financial Reporting Standard ("FRS") 17 "Retirement Benefits" is not currently mandatory for the Group. Prior to the full implementation of FRS17, phased transitional disclosures are required by the standard and, to the extent not given in (a) are set out below in (b).

(a) SSAP 24 Disclosures

The Group operates a number of pension schemes which are defined benefit schemes, the assets of which are held in separate trustee-administered funds. The principal schemes and the dates of their latest available actuarial valuation are as follows:

Name of scheme:	**Date of latest valuation:**
Ulster Bank Pension Scheme	31 December 2001
Ulster Bank Pension Scheme (Republic of Ireland)	31 December 2001
Ulster Bank Markets Non-Contributory Pension Scheme	1 September 2003

The market value of the above schemes at the date of the latest available valuations was £663,684,000 and the actuarial value of the Ulster Bank Pension Scheme and the Ulster Bank Pension Scheme (Republic of Ireland) was sufficient to cover the benefits that had accrued to members, after allowing for expected future increase in earnings. The valuation was carried out using the attained age method and the principal actuarial assumptions applied were that the real rate of return on new investments would exceed the annual increase in pensionable remuneration, and payments of current and future pensions, by 3.5% in Northern Ireland and by 3.25% in the Republic of Ireland and that dividend growth would exceed price inflation by 1.0%.

30. Other Pension Costs (continued)

The actuarial report for the Ulster Bank Markets Non-contributory Pension Scheme showed that at the date of the valuation the market value of the scheme's assets was £22m, which on an actuarial basis was sufficient to cover approximately 66% of the accrued liabilities, based on current earnings, and 64% of the accrued liabilities allowing for expected future increases in earnings. On the advice of the actuary, the Group's contributions to this scheme have been increased, such that this funding percentage is expected to increase to 100% over time.

The total pension cost and contributions for the Group is assessed in accordance with the advice of independent qualified actuaries, and amounted to £12,200,000 (2002: £5,703,000).

At the Balance Sheet date there were amounts of £1,099,000 (2002: £nil) included in prepayments and accrued income and £18,574,000 (2002: £10,408,000) included in accruals and deferred income in respect of the major pension schemes operated by the Group.

(b) FRS 17 Disclosures

The deficit of the funds as calculated under FRS 17 by the independent qualified actuaries as at 31 December 2003 is £156,794,000 (2002: deficit of £155,434,000). The valuations were carried out using the projected unit method and the principal actuarial assumption ranges were as follows:

	At December 2003	At December 2002	At December 2001
Rate of increase in salaries	3.25% - 3.50%	3.50%	3.50%
Rate of increase in pensions in payments	2.50% - 3.50%	2.50% - 3.50%	2.50% - 3.50%
Discount rate	5.50%	5.50% - 5.75%	5.75% - 6.00%
Inflation assumption	2.25% - 2.50%	2.50%	2.50%

The market value of the assets held by the schemes and the expected average rates of return as calculated under FRS 17 were:

	Long-term rate of return expected at 31 December 2003	Value at 31 December 2003	Long-term rate of return expected at 31 December 2002	Value at 31 December 2002	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001
		£m		£m		£m
Equities	7.5% - 8.4%	345	7.5% - 8.4%	356	7.5% - 8.4%	528
Gilts	4.5% - 4.8%	95	4.5%	-	-	-
Bonds	5.6%	51	4.5% - 4.7%	64	4.8% - 5.0%	75
Property	5.5% - 6.6%	59	5.5% - 6.5%	55	5.5% - 6.5%	64
Cash	4.9%	10	4.0%	6	4.5%	2
Total market value of assets		560		481		669

Reconciliation of market value of assets and liabilities to the deficit of the funds:

	At 31 December 2003	At 31 December 2002	At 31 December 2001
	£m	£m	£m
Market value of assets	560	481	669
Present value of scheme liabilities	(717)	(636)	(616)
Deficit of the funds	(157)	(155)	53
Related deferred tax	37	34	(14)
Deficit net of deferred tax	(120)	(121)	39

30. Other Pension Costs (continued)

Pro-forma impact of FRS 17 on the financial statements

The following is a pro-forma indication of the impact on the consolidated profit and loss account and the consolidated statement of total recognised gains and losses if the Group had implemented FRS 17 in full for the year ended 31 December 2003.

Pro-forma analysis of the amount charged to operating profit:	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Current service cost	20	15
Total operating charge	20	15

Pro-forma analysis of the amount credited to other finance income:	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Expected return on pension scheme assets	38	49
Interest on pension scheme liabilities	(38)	(35)
Net other finance income	-	14

Pro-forma analysis of the amount recognised in the statement of total recognised gains and losses ("STRGL"):	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Actual return less expected return on pension scheme assets	32	(186)
Experience gains and losses arising on the scheme liabilities	(1)	25
Changes in assumptions underlying the present value of the scheme liabilities	(9)	(45)
Actuarial loss recognised in STRGL	22	(206)

Pro-forma movement in (deficit)/surplus during the year:	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
(Deficit)/surplus in scheme at beginning of the year	(155)	53
Movement in year:		
Total operating charge	(20)	(15)
Contributions	5	3
Net other finance income	-	14
Actuarial gain/(loss) recognised in STRGL	22	(206)
Exchange adjustments	(9)	(4)
Deficit in scheme at end of the year	(157)	(155)

30. Other Pension Costs (continued)

Pro-forma history of experience gains and losses:

	31 December 2003	31 December 2002
Difference between the expected and actual return on scheme assets:		
- Amount (£m)	32	(186)
- Percentage of the market value of the scheme assets	6%	39%
Experience gains and losses on scheme liabilities:		
- Amount (£m)	(1)	25
- Percentage of the present value of the scheme liabilities	-	4%
Total amount recognised in statement of total recognised gains and losses:		
- Amount (£m)	22	(206)
- Percentage of the present value of the scheme liabilities	3%	32%

31. Profit Analysis by Continuing/Discontinued Operations

	2003			2002		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Net Interest Income	396	-	396	339	-	339
Non-Interest Income	166	21	187	152	21	173
Total income	562	21	583	491	21	512
Operating expenses	(262)	(16)	(278)	(257)	(19)	(276)
Provisions for bad and doubtful debts	(32)	-	(32)	(22)	-	(22)
Operating Profit	268	5	273	212	2	214

The discontinued operations are in respect of the stock-broking businesses, NCB Group Ltd and its subsidiaries, which were sold on 31 October 2003. The net assets of NCB Group Ltd and its subsidiaries at the date of sale were £15m.

32. Segmental Reporting

The Group operates in the financial services industry in the United Kingdom and the Republic of Ireland and provides an integrated service to its customers.

Retail Banking, which has branch networks in both Northern Ireland and the Republic of Ireland, operates in the personal and commercial sectors where it undertakes lending and deposit taking. It is also active in credit and debit card operations and in wealth management.

Corporate Banking and Financial Markets provides a wide range of investment banking products and services to the corporate and institutional markets, which include foreign exchange, money market services and lending.

Both Retail Banking and Corporate Banking and Financial Markets are supported by manufacturing, finance, human resources and head office divisions.

32. Segmental Reporting (continued)

Segmental information by geographical area and class of business is set out below:

Geographical segments	United Kingdom £m	Republic of Ireland £m	Total £m
Group profit on ordinary activities before tax			
2003	91	173	264
2002	65	148	213
Net assets (note a)			
2003	347	731	1,078
2002	340	636	976
Total assets (note a)			
2003	4,180	12,674	16,854
2002	3,546	9,443	12,989
Average assets (note b)			
2003	3,889	11,033	14,922
2002	3,457	8,654	12,111

Class of business	Retail Banking £m	Corporate Banking and Financial Markets £m	Support Units £m	Total £m
Group profit on ordinary activities before tax				
2003	163	197	(96)	264
2002	147	151	(85)	213
Net assets (note a)				
2003	291	767	20	1,077
2002	265	686	25	976
Total assets (note a)				
2003	4,379	12,267	208	16,854
2002	3,226	9,346	417	12,989
Average assets (note b)				
2003	3,877	10,861	184	14,922
2002	3,008	8,714	389	12,111

Notes

(a) In view of the nature of the financial services business it is appropriate to analyse total assets by segment in addition to net assets.

(b) Average total assets attributed to segments are derived from a combination of daily, monthly and quarterly balances.

(c) Particulars of gross income are not disclosed as the Directors believe that this would be seriously prejudicial to the interests of the Group.

33. Memorandum Items

At the year end the contract amounts and risk-weighted amounts of financial commitments and contingent liabilities were:

	2003 Contract amount £m	2003 Risk-weighted amount £m	2002 Contract amount £m	2002 Risk-weighted amount £m
Group				
Contingent liabilities:				
- Acceptances and endorsements	2	2	4	4
- Guarantees and assets pledged as collateral security:				
- guarantees	199	166	100	100
- Other contingent liabilities	187	93	290	91
	388	261	394	195
Commitments:				
- Documentary credits and other short-term trade-related contingent obligations	46	9	34	7
- Forward asset purchases	2	2	2	2
- Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
- less than one year or unconditionally cancellable at any time	3,503	-	2,766	-
- one year and over	334	160	306	133
	3,885	171	3,108	142
Bank				
Contingent liabilities:				
- Acceptances and endorsements	1	1	1	1
- Guarantees and assets pledged as collateral security:				
- guarantees	1,052	417	57	37
- Other contingent liabilities	57	28	56	27
	1,110	446	114	65
Commitments:				
- Documentary credits and other short-term trade-related contingent obligations	27	5	21	4
- Forward asset purchases	1	1	1	1
- Formal standby facilities, credit lines maturity of less than one year or unconditionally cancellable at any time	1,116	-	948	-
	1,144	6	970	5

33. Memorandum Items (continued)

Risk-weighted amounts have been calculated in accordance with the Financial Services Authority's guidelines implementing the EU solvency-ratio directive.

Acceptances are obligations to pay on maturity the face value of a bill of exchange to a third party. Most acceptances are short-term and extend for one year or less. By endorsing a document, the Group accepts liability for payment if it is dishonoured.

Commitments to lend include commitments which are unconditionally cancellable and agreements to lend to a customer so long as all conditions established have been satisfied or waived. A substantial proportion of the Group's loans is by way of overdrafts. Unutilised overdraft facilities constitute commitments to lend which, although unconditionally cancellable, are normally granted for a specific period of time. Unutilised overdraft facilities are included in commitments to lend.

Documentary credits are commercial letters of credit providing for payment by the Group to a named beneficiary, against delivery of specified documents.

Other commitments and contingent obligations usually have fixed expiry dates or other termination clauses.

These transactions, which have been entered into on behalf of customers and for which there are corresponding obligations by counterparties, are not included on the Group's or the Bank's balance sheets. The Group's maximum exposure to credit loss, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual notional amount of those instruments. Many commitments are expected to expire without being drawn and do not necessarily represent future cash requirements.

Contingent liabilities and commitments incurred by the Bank on behalf of subsidiary undertakings, included in the above, amounted to £385,211,000 (2002: £4,037,000) for which there are corresponding obligations by counterparties.

34. Risk Management

The major risks associated with the Group's businesses are market risk, liquidity risk, credit risk and operational risk. The Group has established a comprehensive framework for managing these risks which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

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.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity, will have an adverse impact on the Group's financial condition or results.

The principal market risks to which the Group is exposed are interest rate risk and foreign exchange risk. Activity in debt securities, interest-rate derivatives and money-market instruments is the primary source of interest rate risk in the Group's dealing, money-market and debt investment portfolios. Mismatches between the repricing dates of the Group's assets and liabilities account for most of the interest rate risk associated with its commercial banking activities.

For notes on the Group's accounting policies for, and information with respect to its exposures to, derivative financial instruments, see notes 1 and 35.

34. Risk Management (continued)

(i) Trading

The Group's dealing, money-market and debt investment portfolios comprise derivative financial instruments (futures, forwards, swaps and options), debt and equity securities, loans, deposits and other debt obligations. So as to be able to meet customer demand, the Group carries portfolios of cash, marketable financial instruments and derivative instruments, and, by continuously quoting bid and offer prices, maintains access to market liquidity. The Group minimises its market risk in these portfolios by entering into back-to-back positions with its ultimate parent company Royal Bank of Scotland group plc.

The Group manages the market risk in these portfolios through position and sensitivity limits as well as value-at risk (VaR) limits. The VaR limits are approved by the Board. The Group supplements its daily VaR calculations with stress testing which measures the impact of abnormal changes in market rates and prices on the fair value of the Group's trading portfolios. The portfolios are also subject to scenario analyses. Option risk is modelled using simulation and revaluation of the variables determining the option's value and further analyses are performed on instruments with discontinuous payoffs.

VaR is a technique that produces a single estimate of the potential negative change in the market value of a portfolio over a specified time horizon at a given confidence level. The Group's VaR assumes a time horizon of one day and a confidence level of 95%. In other words, the Group expects to suffer a one-day loss greater than VaR only 5% of the time, i.e. one day in 20. The Group has made use of historical simulation models for its VaR assessment.

Historical simulation models assume that risk factor changes observed in the past are a good estimate of those likely to occur in the future. The method is limited by the relevance of the historical data used. The Group typically uses the last two years of market data. The independent market risk function will modify the historically derived estimates of likely risk factor changes to reflect prevailing market conditions. These modified estimates use other market information, such as the implied volatility of traded options. The method of aggregation used assumes that the profit and loss of each sub-portfolio is normally distributed and that the exposures of each sub-portfolio are independent of the others.

The Group's VaR should be interpreted in light of the limitations of the methodologies used which include:

- Changes in risk factors may not have a normal distribution. In particular such an assumption may underestimate the probability of extreme market movements.
- Historical data used may not provide the best estimate of the joint distribution of risk factor changes in the future, and any modifications to these data may be inadequate. In particular VaR using only two years of historical data may fail to capture the risk of possible extreme adverse market movements.
- VaR using a one-day horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.
- VaR using a 95% confidence level does not reflect the extent of potential losses beyond that percentile.
- At present the Group only computes the VaR of trading portfolios at the close of business and positions may change substantially during the course of the trading day. Controls are in place to limit the Group's intra-day exposure but it does not yet compute VaR intra-day.

VaR should, therefore, not be viewed as a guarantee of the Group's ability to limit its market risk. The Group cannot be certain that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than once in 20 trading days.

34. Risk Management (continued)

The VaR for the Group's dealing, money-market and debt investment portfolios is presented in the table below.

	31 December 2003	Maximum	Minimum	Average
Value-at-Risk	£166,000	£263,000	£82,000	£154,000

(ii) Non trading

The Group's portfolios of non-trading financial instruments principally comprise loans (including finance leases), debt securities, deposits, certificates of deposit and other debt securities issued, loan capital and derivatives. Non-trading market risk in respect of interest rate and currency risk is discussed below.

Interest Rate Risk

Structural interest rate risk arises where assets and liabilities in the Group's commercial banking activities have different repricing dates. Group policy seeks to minimise the sensitivity of net interest income to changes in interest rates. The policy requires that all material interest rate risk arising from retail and corporate banking activities be transferred to a trading or treasury unit for management within its approved limits. Potential exposures to interest rate movements in the medium to long term are measured and controlled using a version of the same VaR methodology, but without discount factors, that is used in trading portfolios. Short-term exposures are measured and controlled in terms of net interest income sensitivity over 12 months to a 1% parallel movement in interest rates. Risk transfers to the trading units are arranged through arm's length cash transactions and derivatives, principally interest rate swaps.

VaR for the Group's commercial banking activities is calculated quarterly. At 31 December 2003, it was calculated to be £552,000 of which £106,000 relates to the structural foreign currency exposures.

In computing the VaR, all on-balance sheet assets and liabilities (other than whose which are match funded and therefore have no interest rate risk) and off-balance sheet derivatives products in each of the non-trading businesses are categorised by product or asset/liability type and included in an interest rate ladder at the appropriate repricing maturity band. The maturity bands are monthly for the first 24 months, quarterly from 24 months to 72 months and annually thereafter.

For the principal non-trading business units, when the actual interest rate repricing characteristics differ from the contractual maturity, the repricing maturity is determined by the market interest rate most closely correlated to the historical behaviour of the product interest rate. Non-interest bearing current accounts are behaviouralised on the basis of their inherent stability and fixed rate characteristics and included at the corresponding maturity in the gap report. It is Group policy to include non-financial assets and liabilities, mainly tangible fixed assets and the Group's capital and reserves, spread over medium and longer-term maturities, in the gap report.

Principal amounts only are included. Average balances are used for products where this is considered to provide a more accurate representation of the exposure. A separate ladder is produced for each material currency.

Option risk in the non-trading businesses principally occurs in certain fixed rate assets and liabilities. It arises where businesses undertake to provide funding to, or to accept deposits from, customers at a future date at a pre-determined fixed interest rate. Derivatives are used to manage the risk of interest rate movements from the date a commitment is made to a customer to the date the transaction closes. Option risk also arises where customers can repay fixed rate loans or withdraw fixed rate deposits prior to their maturity. In managing this risk, historic early repayment rates are taken into account.

The Group generally seeks to protect itself from early repayment risk through the imposition of contract breakage fees.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 2003*

34. Risk Management (continued)

The table below summarises the contractual interest rate sensitivity gap for the Group's non-trading book as at 31 December 2003 and 31 December 2002. It is not necessarily indicative of the positions at other times. A liability (or negative) gap position exists when liabilities reprice more quickly or in greater proportion than assets during a given period and tends to benefit net interest income in a declining interest rate environment. An asset (or positive) gap position exists when assets reprice more quickly or in greater proportion than liabilities during a given period and tends to benefit net interest income in a rising interest rate environment.

As at 31 December 2003	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Non-interest bearing funds	Non-trading total
	£m	£m	£m	£m	£m	£m	£m
Assets							
Loans and advances to banks	662	121	382	238	109	26	1,538
Loans and advances to customers	10,205	181	186	588	367	75	11,602
Treasury and debt securities	619	84	201	-	-	-	904
Other assets	-	-	-	-	-	588	588
Internal funding of the trading book	42	86	64	345	183	-	720
Total Assets	11,528	472	833	1,171	659	689	15,352
Liabilities							
Deposits by banks	2,208	35	48	8	6	395	2,700
Customer accounts	6,238	356	136	402	52	2,645	9,829
Debt securities in issue	894	48	5	-	-	-	947
Subordinated liabilities	174	-	-	-	-	-	174
Other liabilities	-	-	-	-	-	624	624
Shareholders' funds	-	-	-	-	-	1,078	1,078
Internal Funding Book	-	-	-	-	-	-	-
Total liabilities	9,514	439	189	410	58	4,742	15,352
Off-balance sheet items	(543)	(372)	183	690	42	-	-
Interest rate sensitivity gap	1,471	(339)	827	1,451	643	(4,053)	-
Cumulative interest rate sensitivity gap	1,471	1,132	1,959	3,410	4,053	-	-

As at 31 December 2002	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Non-interest bearing funds	Non-trading total
	£m	£m	£m	£m	£m	£m	£m
Assets							
Loans and advances to banks	673	233	105	13	-	21	1,045
Loans and advances to customers	7,421	144	348	668	208	127	8,916
Treasury and debt securities	437	56	132	121	15	-	761
Other assets	-	-	-	-	-	601	601
Internal funding of the trading book	218	-	-	-	-	-	218
Total Assets	8,749	433	585	802	223	749	11,541
Liabilities							
Deposits by banks	1,099	66	-	-	-	1	1,166
Customer accounts	5,727	153	123	307	68	2,221	8,599
Debt securities in issue	132	9	5	3	-	-	149
Subordinated liabilities	180	-	-	-	-	-	180
Other liabilities	-	-	-	-	-	484	484
Shareholders' funds	-	-	-	-	-	963	963
Total liabilities	7,138	228	128	310	68	3,669	11,541
Off-balance sheet items	(892)	4	87	665	136	-	-
Interest rate sensitivity gap	719	209	544	1,157	291	(2,920)	-
Cumulative interest rate sensitivity gap	719	928	1,472	2,629	2,920	-	-

34. Risk Management (continued)

Currency Risk

The Group does not maintain material non-trading open currency positions other than the structural foreign currency translation exposures arising from its investments in overseas subsidiary undertakings and their currency funding. Such exposures are hedged to the extent that movements in exchange rates would not excessively impact the Group's risk asset ratio.

The table below sets out the Group's structural currency exposures as at 31 December 2003.

Functional currency of the net investment	Foreign currency net investments	Foreign currency liabilities hedging net investments	Structural foreign currency exposures
	£m	£m	£m
Euro	808	225	583

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the retranslation of the net assets and related funding of overseas subsidiaries from the local functional currency to sterling. Gains or losses on foreign currency investments in subsidiary and associated undertakings, net of any losses or gains on related foreign currency funding, are recognised in reserves. In 2003 exchange gains of £39,036,000 were credited to reserves.

Liquidity Risk

The liquidity standard introduced in January 1996 by the Financial Services Authority for sterling operations requires the Group to maintain at all times sufficient high-quality liquid assets to cover the net sterling cash outflow from UK banking operations over the next five business days. This standard operates at a Royal Bank of Scotland Group level, including Ulster Bank Group.

The Group's liquidity policy covers both sterling and currency activities. A portfolio of liquid assets is held against the Group's currency obligations, in addition to those required by the Financial Services Authority for sterling. The policy also requires expected cash outflows for both sterling and currency to be managed within prescribed limits for the next working day, week and 30days.

Sterling and foreign currency deposits (principally current accounts and savings deposits repayable on demand or at short notice) form an important part of the Group's liability base. These deposits represent a stable source of funding due to the number and diversity of depositors.

Liquidity is actively managed through dealings in the major markets, thereby enabling ready access to wholesale funding.

Credit Risk

Credit Risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Group. Credit risk arises principally from the Group's lending activities but also from other transactions involving on and off-balance sheet instruments.

Group Risk has specific responsibility for establishing the Group's credit risk principles and for the implementation of Group credit policy for all activities (including securities, transactions and derivatives), for monitoring geographic, product and market sector concentrations within the Group's portfolio of credit risks and for managing the Group's most significant credit risk exposures and special situations. Day to day credit management is conducted by dedicated teams in each business unit, where there are continual reviews of the effectiveness of credit control practices and procedures. Particular attention is paid to the manner in which new risks are assessed, on-going management and monitoring of credit risks within the book, the early detection of loan quality deterioration and the structure and composition of the credit portfolio in relation to market opportunities, the competitive environment and economic projections. Credit quality remains a high priority for Ulster Bank Group.

34. Risk Management (continued)

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, external events, fraud or inadequate internal control and procedures. The Group manages this risk through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Group also maintains contingency facilities to support operations in the event of disasters.

35. Derivatives

The Group uses derivatives as an integral part of its trading activities and to manage its own interest and exchange rate position. Trading derivatives are carried at fair value with gains and losses recognised currently in dealing profits. For balance sheet purposes, positive and negative market values are set-off where the contracts have been entered into under master netting agreements or other arrangements that give a legally enforceable right of set-off. Profits and losses on instruments which are being used to hedge exposures are recognised in a manner that reflects the accounting treatment of the assets or liabilities hedged. Any profit or loss on the early termination of a hedge is amortised over the remaining life of the assets or liabilities it was hedging. If an asset or liability that is hedged is sold or settled, any unrecognised profit or loss on the related hedge is taken to the profit and loss account.

The following table provides an overview of the Group's exchange rate-related, interest rate-related and equity and commodity-related derivative portfolios at the year end. It includes all trading and non-trading contracts with third parties. Notional principal amounts are the amounts of the underlying physical or financial commodity on which the contract is based and represent volumes of outstanding transactions. The gross replacement cost is the sum of the fair values of all contracts with positive value. This measure makes no allowance for netting arrangements.

	2003			2002		
	Exchange rate-related £m	Interest rate-related £m	Equity and commodity-related £m	Exchange rate-related £m	Interest rate-related £m	Equity and commodity-related £m
Principal amounts	4,064	5,321	-	3,880	9,452	5
Gross replacement cost	123	141	-	93	183	1

The gross replacement cost for derivatives is sensitive to both the volume of business written and the differential between current market rates and those prevailing at the inception of the contract.

35. Derivatives (continued)

Derivatives held for trading purposes

At the year end the notional principal amounts and fair values (which are the carrying values) of trading instruments entered into with third parties were:

	2003			2002		
	Notional principal amounts £m	Fair values Asset £m	Fair values Liability £m	Notional principal amounts £m	Fair values Asset £m	Fair values Liability £m
Exchange rate-related contracts						
Spot, forwards and futures	3,194	71	79	3,438	85	83
Currency swaps	588	52	36	429	8	30
Options purchased	282	-	-	13	-	-
	4,064	123	115	3,880	93	113
Interest rate-related contracts						
Interest rate swaps	5,061	140	97	8,648	183	127
Options purchased	50	1	-	44	-	-
Options written	210	-	1	111	-	1
Futures and forward rate agreements	-	-	-	644	-	-
	5,321	141	98	9,447	183	128
Equity and commodity-related contracts	-	-	-	5	1	1
		264	213		277	242
Average fair value						
Exchange rate-related contracts		110	103		96	126
Interest rate-related contracts		195	144		149	107
Equity and commodity-related contracts		-	-		2	2
		305	247		247	235

Averages are calculated from a combination of monthly and quarterly balances. There are no netting arrangements in place at the year end (2002: £nil).

Gains and losses on exchange-traded contracts subject to daily margining requirements are settled daily. The fair value of such contracts included above reflects the last day's variation margin.

35. Derivatives (continued)

At the year end, the maturity of the notional principal amounts of trading contracts entered into with third parties was:

	1 year or less £m	2 years or less but over 1 Year £m	5 years or less but over 2 years £m	Over 5 years £m	Total £m
Exchange rate-related contracts					
Spot, forwards and futures	3,139	52	3	-	3,194
Currency swaps	147	-	140	301	588
Options purchased	-	282	-	-	282
At 31 December 2003	3,286	334	143	301	4,064
At 31 December 2002	3,539	99	70	172	3,880
Interest rate-related contracts					
Interest rate swaps	1,441	1,111	1,462	1,047	5,061
Options purchased	-	3	14	33	50
Options written	9	7	78	116	210
At 31 December 2003	1,450	1,121	1,554	1,196	5,321
At 31 December 2002	6,058	880	1,572	937	9,447
Equity and commodity-related contracts					
At 31 December 2003	-	-	-	-	-
At 31 December 2002	5	-	-	-	5

Derivatives held for purposes other than trading

The Group uses derivative contracts including interest rate and currency swaps, futures, forwards and options to control its interest rate risk that arises as a result of timing differences in the repricing of interest-earning assets and interest-bearing liabilities and exchange rate risk. The Group establishes non-trading derivatives positions with third parties and through intra-company and intra-group transactions with the Group's independent trading operations. At the year end, the notional principal amounts, fair values and carrying values, of the Group's non-trading derivatives (third party, intra-company and intra-group) were:

35. Derivatives (continued)

	2003				
	Notional principal amount £m	Fair values Asset £m	Fair values Liability £m	Carrying values Asset £m	Carrying values Liability £m
Exchange rate-related contracts					
Spot, forwards and futures	906	(17)	8	(17)	-
Currency swaps	127	-	-	-	-
	1,033	(17)	8	(17)	-
Interest rate-related contracts					
Interest rate swaps	2,793	66	4	8	2

Notional principal amounts - maturity

	1 year or Less £m	2 years or less but over 1 year £m	5 years or less but over 2 years £m	Over 5 years £m	Total £m
Exchange rate-related contracts					
Spot, forwards and futures	906	-	-	-	906
Currency Swaps	4	35	88	-	127
At 31 December 2003	910	35	88	-	1,033
At 31 December 2002	168	4	41	-	213
Interest rate-related contracts					
Interest rate swaps	550	292	1,298	653	2,793
At 31 December 2003	550	292	1,298	653	2,793
At 31 December 2002	336	389	838	566	2,129

35. Derivatives (continued)

The notional principal amount of contracts held for purposes other than trading which were entered into with third parties amounted to:

	2003 £m	2002 £m
Interest rate-related contracts	-	5

Unrecognised Gains and Losses on Derivative Hedges

The unrecognised net gains on off-balance sheet derivative instruments used for hedging on balance sheet positions as at 31 December 2003 were £49,171,000 (2002: £34,973,000).

The net gains on these instruments expected to be recognised in the profit and loss account in the next year are £8,399,000 (2002: £3,762,000).

The net losses recognised in the current reporting period's profit and loss account that arose in previous years and were unrecognised at 31 December 2002 were £4,008,000 (31 December 2001: £4,026,000).

Non-trading Derivative Deferred Gains and Losses

At the year end the Group had no deferred gains or losses.

Maturity analysis of replacement cost of over the counter contracts:

	1 year or less £m	2 years or less but over 1 year £m	5 years or less but over 2 years £m	Over 5 years £m	2003 Total £m	2002 Total £m
By remaining maturity:						
Exchange rate-related contracts	87	2	4	30	123	93
Interest rate-related contracts	13	26	52	50	141	183
Equity and commodity-related contracts	-	-	-	-	-	1
	100	28	56	80	264	277
By counterparty exposure:						
Financial institutions					165	225
Other					99	52
					264	277

35. Derivatives (continued)

Glossary of terms on derivatives

Derivative	A derivative is a contract whose value is derived from an underlying physical or financial commodity.
Fair value	Fair value is the amount for which a derivative could be exchanged in an arm's length transaction between informed and willing parties. It is based on quoted market prices where available. If no quoted price exists for a particular instrument, fair value is determined from market prices for its components using appropriate models.
Forward	A forward agreement is a contract to buy (or sell) a specified amount of the physical or financial commodity, at an agreed price, at an agreed date.
Forward foreign exchange contract	A contract to pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed exchange rate.
Forward rate agreement	An agreement to pay or receive the difference between a specified interest rate and a reference rate on a notional deposit at a specified future date.
Future	A future is an exchange traded contract to buy (or sell) a standardised amount of the underlying physical or financial commodity at an agreed price on a set date.
Gross replacement cost	This represents the sum of the positive replacement values for a portfolio of trades.
Notional principal amount	The notional principal amount is the amount of the underlying physical or financial commodity on which the derivative contract is based.
Option	An option is a contract that gives the holder the right but not the obligation to buy (or sell) a specified amount of the underlying physical or financial commodity, at a specific price, at an agreed date or over an agreed period.
OTC contract	An 'over the counter' contract with terms that are specific to customer requirements.
Proprietary trading	Proprietary trading is the deliberate taking of a position in anticipation of price movements rather than to meet customer demand or to hedge position.
Swap	A swap is an agreement to exchange cashflows in the future according to a pre-arranged formula.
Value-at-risk	The value-at-risk (VaR) is the range of profit/loss that a particular deal or group of deals is likely to face given defined fluctuations in variables such as interest rates or exchange rates. Changes in each of these are determined by statistical analyses of historic market movements.

36. Fair Values of Financial Assets and Financial Liabilities

Most of the Group's asset and liabilities are considered to be financial instruments. Many of these do not trade regularly and no market for them exists. Where quoted market prices are not available, fair values have been estimated based on discounted anticipated cash flows. The fair values estimated are influenced by the valuation method used and reflect the underlying subjective assumptions made about the discount rate and estimates of the current and timing of anticipated future cash flows. Changes in these assumptions would materially affect estimated fair values.

The following table represents the carrying amount and the fair values of both the trading and non-trading financial instruments, for which a liquid or active market exists, as at 31 December 2003.

	Carrying value £m	Fair Value £m
Financial Instruments for Trading		
Assets		
Loans and advances to banks	1,046	1,046
Loans and advances to customers	278	278
Liabilities		
Deposits by banks	131	131
Customer accounts	316	316
Derivatives (note 35)		
Asset	264	264
Liability	213	213
Non-Trading Financial Instruments		
Assets		
Treasury and other eligible bills	1	1
Debt securities	903	903
Equity shares	8	8
Liabilities		
Debt securities in issue	947	947
Derivatives (note 35)		
Asset	(9)	49
Liability	2	12

37. General

(i) Operating lease commitments

	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Annual commitments under operating leases, which relate solely to land and buildings, were as follows:				
Operating leases which expire:				
- In 5 years or more	6	1	6	1
	6	1	6	1

(ii) Lease and similar finance arrangements
Group amounts financed under finance lease and instalment credit agreements entered into during the year were £nil (2002: £nil).

(iii) Average number of employees
The average number of persons employed by the Group during the year was as follows:

	2003	2002
Managerial	1,542	1,606
Clerical staff	2,985	2,858
Others	460	463
	4,987	4,927

(iv) Assets pledged as security for liabilities

	Amount of Liability Secured			
	2003 Group £m	2003 Bank £m	2002 Group £m	2002 Bank £m
Deposits by banks	-	-	132	-
Participation in real time settlement system - contingent	18	6	124	-
	18	6	256	-

The secured deposits by banks and customer accounts include amounts of £nil (2002: £132,250,000), representing sale and repurchase liabilities.

The other liabilities were secured on debt securities held by Group companies with a carrying value of £nil (2002: £6,510,000) and lendings to banks of £17,810,000 (2002: £117,180,000).

37. General (continued)

(v) Litigation
The Bank and subsidiaries of the Group are involved in litigation in the United Kingdom and Republic of Ireland. The litigation involves claims by and against Group companies which arise in the ordinary course of business. No material adverse effect on the net assets of the Group is expected to arise from the ultimate resolution of these claims.

(vi) Registered Charges
A registered charge exists over the assets of the Group securing all borrowings and other obligations, in whatever form that relate to the Group's use of the Euroclear system, that are outstanding to Morgan Guaranty Brussels and to any other office of Morgan Guaranty Trust Company of New York.

38. Transactions Involving Directors and Others

(a) The aggregate amounts outstanding at 31 December 2003 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were, Directors of the Bank during the year or who are, or were, connected with a Director of the Bank during the year, relating to loans, quasi-loans and credit transactions were:

	Number of Directors	Number of connected persons	Amount £
Loans	6	3	1,669,000
Quasi-loans	6	-	40,000

(b) There were no amounts outstanding at 31 December 2003 (2002: £nil) in respect of loans made to Directors by subsidiary undertakings which were not authorised institutions.

(c) The aggregate amounts outstanding at 31 December 2003 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were, officers during the year relating to loans, quasi-loans and credit transactions were:

	Number of officers	Amount £
Loans	19	2,974,000
Quasi-loans	15	32,000

39. Directors' Interests in Shares

No Director had interests in the shares of the company.

The interests, all beneficial, of those who were Directors at 31 December 2003 in the ordinary shares of the Royal Bank of Scotland Group plc are shown below.

	Ordinary Shares of 25p each		Additional Value Shares ("AVS") (note a)		Loan Notes	
	As at 1 January 2003 (or date of appointment if later)	As at 31 December 2003	As at 1 January 2003 (or date of appointment if later)	As at 31 December 2003	As at 1 January 2003 (or date of appointment if later)	As at 31 December 2003
M J Bamber	1,454	1,207	1,779	-	-	-
R D Houghton	931	1,171	-	-	-	-
Prof P McKie	165	165	-	-	-	-
M R McLean	155,208	156,058	141,545	-	-	-
J J McNally	13,436	13,916	6,719	-	21,104	21,104
T C Reid	13,590	14,746	10,643	-	40,636	40,636
M J Wilson	4,441	5,051	23,078	-	86,216	86,216

		Share Options (notes b and c)				
	As at 1 January 2003 (or date of appointment if later)	Granted during the year (exercisable between 2006 and 2013)		Exercised during the year		As at 31 December 2003
		Options	Weighted Price (p)	Options	Weighted Price (p)	
M Bamber	17,646	11,258	1239	551	620	28,353
R Houghton	10,540	10,200	1237	-	-	20,740
M R McLean	212,359	34,604	1238	2,418	556	244,545
J J McNally	29,011	10,100	1237	10,000	1283	29,111
T C Reid	44,601	9,800	1237	504	1061	53,897
M J Wilson	84,827	25,343	1238	578	595	109,592

Mr FA Goodwin is a Director of the Royal Bank of Scotland plc and his interests in the share and loan capital of the Royal Bank of Scotland Group plc are disclosed in the report of the Remuneration Committee of that company contained in its annual report and accounts for 2003.

Notes:

(a) On 31 December 2003, the Additional Value Shares were de-listed from The London Stock Exchange, converted to Non-Voting Deferred Shares and transferred to RBS NVDS Nominees Limited. None of the Directors has an interest in the Non-Voting Deferred Shares.

(b) Options outstanding are exercisable at prices between 312p and 1818p per share. Options granted under the Executive Share Option Scheme are exercisable subject to the achievement of performance objectives.

(c) Details of the Share Option Schemes are contained in the financial statements of the Royal Bank of Scotland Group plc. The middle market price of that Bank's Ordinary Shares of 25p each at 31 December 2003 was 1646p per share and, during the year, the price has ranged from a low of 1237p to a high of 1780p.

(d) No Directors held a beneficial interest in any other Group company.

40. Related Party Transactions

During the year the Group had the following transactions with related parties:

(a) Directors and key managers
The aggregate transactions between the Bank and its Directors, key managers, their close families and companies which they control were:

	Number of Directors	Number of key managers	Connected parties	Transactio n amount £
Transactions during the year				
Loans made during the year:				
- at a preferential rate	-	1	1	97,000
- at a commercial rate	2	2	2	1,140,000
Balances outstanding at the end of the year				
Loans:				
- at a preferential rate	2	5	3	597,000
- at a commercial rate	5	6	6	2,247,000

(b) The company is availing of the exemption under Financial Reporting Standard No. 8 'Related Party Disclosures' not to disclose details of the transactions with companies within the Royal Bank of Scotland Group Plc.

41. Post Balance Sheet Event – Acquisition of First Active plc:

On 5 January 2004, by way of a scheme of arrangement under section 201 of the Irish Companies Act 1963, the Bank acquired the entire issued share capital of First Active plc for a consideration of €887,000,000 (£626,000,000). The acquisition date was determined in accordance with Financial Reporting Standard Number 2 – Accounting for Subsidiary Undertakings as the date upon which control was transferred following the offer becoming unconditional.

In their audited financial statements, First Active plc reported a consolidated profit on ordinary activities before exceptional items of €72m (£50m) for the year ended 31 December 2003 and its consolidated retained profit at that date amounted to €233m (£164m).

The acquisition of First Active plc was funded by Ulster Bank Ltd. through the issue of additional capital on 2 January 2004 as follows:

- 20,000,000 Non-Cumulative Redeemable preference shares were issued at a price of €20.25 (£14.30) per share – a total of €405,000,000 (£286,000,000)
- €435,000,000 (£307,000,000) of undated Loan Stock was issued at its nominal value.
- €140,000,000 (£99,000,000) of Loan Stock dated March 2019 was issued at its nominal value.

Any capital raised in excess of the amount required to fund the cost of the acquisition of First Active plc will be invested in the ongoing operations of the Group and its subsidiaries.

42. Ultimate Parent Company

The immediate parent company of the Group is National Westminster Bank Plc and the ultimate parent company is the Royal Bank of Scotland Group plc. The smallest and largest group in which the financial statements of the Group are consolidated are National Westminster Bank Plc and the Royal Bank of Scotland Group plc (both incorporated in Great Britain) respectively. The financial statements of both companies may be obtained from The Secretary, 42 St Andrew Square, Edinburgh, EH2 2YE.

DIRECTORS AND EXECUTIVES

Chairman

Dr Alan Raymond Gillespie CBE, MA, PhD (Cantab.), DUniv
(age 53), was appointed Chairman in July 2001. He was formerly a partner of Goldman Sachs & Co and is a former Chairman of the Northern Ireland Industrial Development Board and a former Chief Executive of the Commonwealth Development Corporation, CDC Group plc.

EXECUTIVE DIRECTORS

Group Chief Executive

Cormac Michael McCarthy B Comm (Hons), FCA
(age 41), served as Chief Executive of First Active from 2000 (having previously held the positions of Head of Finance and Chief Financial Officer) until his recent appointment as Chief Executive of the enlarged Ulster Bank Group. Prior to joining First Active, he held a number of senior positions with Woodchester Investments plc. He holds a Bachelor of Commerce Degree from University College Dublin and qualified as a Chartered Accountant with KPMG in Dublin.

John Joseph McNally B.A.
(age 57), was appointed a Director in August 1987 and became Chief Executive Retail Banking in February 1998. In 2000 he was appointed to his current position as Chief Executive, Corporate Banking and Financial Markets.

Thomas Carlisle Reid FIB
(age 58), was appointed a Director in February 2001 and is Director of Change Management with executive responsibility for the delivery of the Horizon Business Transformation Programme. He was formerly Head of Group Risk with overall responsibility for credit, market, environment and operational risks.

Michael Gerard Torpey B.A. (Hons)
Michael Torpey (age 44) was appointed Group Finance Director in January 2004. He joined First Active plc in October 2000 and was appointed to the Board of First Active plc as an Executive Director in December 2000. He was formerly a member of the senior management team at Irish Life and Permanent plc and worked previously with Riada Stockbrokers, Allied Irish Investment Bank and the Irish Government Department of Finance.

Richard David Houghton B.A. (Hons), ACA
(age 38), was appointed to his current position as Director of Integration on 6 January 2004 having previously held the position of Group Finance Director since December 2002. He was formerly Finance Director, Direct Line Insurance plc. He joined the Royal Bank of Scotland plc in 1998 having previously worked for National Australia Banking Group at Clydesdale Bank plc and Yorkshire Bank plc.

Michael John Bamber ACIB, Dip. FS, MBA
(age 42), was appointed to his current position as Chief Executive Retail Banking in December 2002. He joined the Royal Bank of Scotland plc in 1977 and was formerly Regional Managing Director, NatWest Retail Midlands and Wales. Prior to this, he held senior roles in RBS Retail Network and RBS Corporate Banking.

DIRECTORS AND EXECUTIVES *(continued)*

NON-EXECUTIVE DIRECTORS

Frederick Anderson Goodwin DUniv, FCIBS, FCIB
(age 45), was appointed Deputy Group Chief Executive of the Royal Bank of Scotland Group plc in August 1998 and Group Chief Executive in March 2000. He was formerly Chief Executive and Director, Clydesdale Bank plc and Yorkshire Bank plc. He is Chairman of The Prince's Trust: Scotland and a member of The Prince's Trust Council. He is a former President of the Chartered Institute of Bankers in Scotland.

Miller Roy McLean MA, LLB, NP, FCIBS
(age 54), was appointed Group Secretary of the Royal Bank of Scotland Group plc in August 1994 and General Counsel in October 2003. He is a Trustee of the Industry and Parliament Trust, Non-Executive Chairman of The Whitehall and Industry Group and a Director of the Scottish Parliament and Business Exchange. He is a former Vice-Chairman of Banco Santander, Portugal S.A..

Martin Joseph Wilson FIB, FCIBS, FCA
(age 53), was appointed Deputy Chairman on 6 January 2004 following his retirement as Group Chief Executive. He is a Council Member of the Prince's Trust: Northern Ireland, a Council Member of the Institute of Chartered Accountants in Ireland, a Council Member of the Financial Services Industry Association, a Board Member of the Northern Ireland Chamber of Commerce and Industry and a Member of the National Executive Committee of Irish Business Employers Confederation. He is a former President of the Institute of Bankers in Ireland.

Professor Niamh Brennan BSc, PhD (Warwick), FCA
(age 49), is a Chartered Accountant and Michael MacCormac Professor of Management at University College Dublin (UCD). She is Academic Director of the Institute of Directors' Centre for Corporate Governance at UCD. She is a former Non-Executive Director of Lifetime Assurance Company Ltd, of Collite Teoranta, the State Forestry Company and of Co-Operation Ireland.

William James Burgess B.A. (Economics), B.A.I. Hons (Eng)
(age 57), is a former Chairman and Managing Director of IBM Ireland Limited. He is Chairman of the National Competitiveness Council and of Digital Hub, an Irish Government Agency set up to create an international digital media enterprise area in central Dublin, and a Director of Iona Technologies plc and Software Resources Limited.

Professor Peter Halliday McKie CBE, D.Sc (Hon QUB)
(age 68), was formerly Managing Director and Chairman of Du Pont (UK) Ltd. He is Managing Partner of PHM Associates, Health & Safety Consultants and Chairman of QUBIS Ltd. He is a Fellow of the Irish Academy of Engineering and of the Royal Institute of Chemistry, Companion of the Institute of Management, a Chartered Chemist and Chartered Engineer.

Lady Brenda Mary McLaughlin CBE, B.A., Dip.Soc.St
(age 56), is Senior Pro-Chancellor of The Queens University of Belfast, Chairman of Opportunity Now (N.I.) and a Non-Executive Director of the Management Board of the Northern Ireland Office. She is a former Chairman of the South and East Belfast Health and Social Services Trust. She is a Companion of the Institute of Management.

Peter Gerard Malone
(age 59), is Chairman of Hibernian Group plc, Gunne Property Group and the National Roads Authority and a Director of Jurys Doyle Hotel Group plc and Brain Research of Ireland. He is a Past President of the Irish Hotels Federation.

AUDIT AND COMPLIANCE COMMITTEE

Professor Peter H McKie, CBE, Chairman
Professor Niamh Brennan • Dr Alan R Gillespie, CBE • Miller R McLean

DIRECTORS AND EXECUTIVES *(continued)*

DIVISIONAL HEADS

M J Bamber	Ulster Bank Retail Banking
D C Fitzgerald	First Active Retail
J J McNally	Corporate Banking and Financial Markets
J F McDonnell	Group Risk Management
J West	Manufacturing
M G Torpey	Group Finance
R K Bergin	Group Corporate Affairs and Legal Services
G J Lee	Group Human Resources
R D Houghton	Integration Office
T C Reid	Change Management

COMPANY SECRETARY

D J Peacock

HEAD OFFICE

11-16 Donegall Square East, Belfast, BT1 5UB