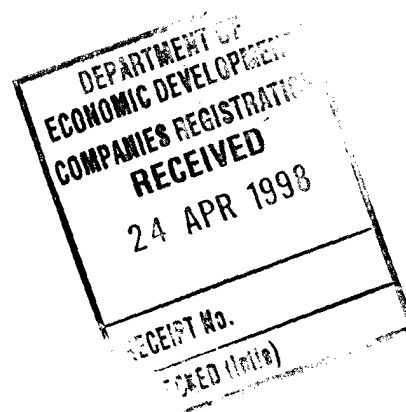




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## Annual Report and Financial Statements 1997



Ulster Bank Limited, Established 1836

A member of the NatWest Group

Regulated by the Personal Investment Authority  
and IMRO for investment business in the United Kingdom

Bonded in accordance with the Insurance Act 1989  
for insurance business in the Republic of Ireland



Ulster Bank Group

**REVIEW OF 1997****RESULTS**

Profit before tax rose by 7% to £145.2M. Once again this is a record profit for the Ulster Bank Group. However, because of the strength of Sterling, the denomination in that currency of profits earned in the Republic of Ireland fails to give a true measure of Ulster Bank Group's underlying performance during the year. At constant exchange rates, the increase in pre-tax profits was 14%. This result, achieved in a very competitive market, confirms the Group's ability to achieve consistently high performance.

Operating income rose by 5% to £368.6M, with net interest income increasing by 6%. Loan growth has risen by an underlying 23%, with substantial increases recorded by all businesses. The rise reflects buoyant demand for credit, especially in the Republic of Ireland.

The charge for bad and doubtful debts increased to £11.8M from £7.7M in 1996. This represents 0.24% of advances compared to 0.19% the previous year. Overall asset quality, however, remains good.

Costs increased by 3%. The Cost Income Ratio was reduced to 57.4% from 59.0% last year. Post Tax Return on Shareholders' Funds improved from 20.2% to 20.9%.

The profit performance confirms the validity of the business development and growth strategy of the Group. It was achieved in a business environment which, although dominated by credit demand, was also characterised by severe downward pressure on margins.

**ECONOMIC ENVIRONMENT****Republic of Ireland**

In the Republic of Ireland the "celtic tiger" economy continued to grow apace, with consumer confidence at a very high level. GNP is likely to have been around 7.5% for 1997. Inflation for the year averaged a remarkably low 1.5%. The balance of payments showed a strong position and tax revenue increased.

IDA Ireland has had a very successful year, winning inward investment projects which will create in excess of 15,000 new jobs. Unemployment fell to below 10%.



# Ulster Bank Group

## REVIEW OF 1997

The housing market continued to prosper; on average house prices are estimated to have risen by at least 15%, with higher growth in selected areas. It is expected that the Republic of Ireland will meet the key Maastricht criteria and be a founder member country of EMU.

The Irish economy has over the last few years had an exceptionally high level of growth without exhibiting upward inflation. However, the current value of the Irish Pound relative to Sterling will inevitably push up the cost of imports and, notwithstanding other countervailing factors, must increase inflationary pressures.

### **Northern Ireland**

In Northern Ireland business prospects continue to be linked to progress on the political front. However, output growth in the manufacturing sector continued to outperform the rest of the United Kingdom and despite the strength of Sterling, the statistics are likely to show that export growth remained robust, although at the expense of profit margins. The effect of Sterling's strength is mitigated by the extent to which a significant proportion of sales by firms in Northern Ireland is into the Great Britain market.

The agri-food sector has been severely affected by a combination of adverse factors, including the ban on meat exports triggered by the BSE issue in the United Kingdom. Prompt action to alleviate the sector's problems is vital if it is to be in a position to meet the challenges posed by the changes envisaged in the forthcoming reform of the Common Agricultural Policy.

House prices continued to increase, with growth for the year estimated at 13%. Unemployment fell consistently throughout the year to a low of 7.8% in November 1997.

Interest rates were raised successively in 1997. A significant development was the establishment of the Monetary Policy Committee (MPC) of the Bank of England, with the power to set interest rates independently of the government. Inflation continues to be above the Bank of England's target level of 2.5% and, for as long as an inflationary threat persists, there remains a possibility of higher interest rates, which compounds the other factors driving up Sterling.

## **REVIEW OF 1997**

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## **REVIEW OF 1997**

UK public expenditure remains under very tight control and the government has stated its intention to adhere to the previous administration's spending targets, which were viewed as being particularly restrictive. In effect, current plans envisage significant cuts in real spending levels in many programmes in Northern Ireland and the Northern Ireland Economic Council has expressed its concern on this issue. Rebalancing the economy and promoting much stronger private sector growth is a priority. However, given the contribution which a high level of public resources has traditionally made to incomes and growth, the method of determining the public expenditure allocation for Northern Ireland under any new political arrangements will be important.

Consumer spending continues to be buoyant throughout the UK, boosted by "windfall" payments from building societies and insurance companies which are demutualising.

If a lasting peace settlement is achieved, this would have a positive effect on the levels of inward investment and on the tourism sector. There are of course very long leads and lags associated with inward investment and a strong impact would not necessarily be felt immediately. The tourism sector could, however, see early benefits.

### **Ulster Bank Retail**

Ulster Bank Retail provides a comprehensive range of retail banking products to the personal and SME market, including deposit and loan accounts, mortgages, leasing, invoice discounting, debit and credit cards, and insurance services. The business performed well during the year, producing a profit of £90.9M, an increase of 12.1% over 1996, with strong contributions in both parts of the island.

Mortgage lending grew by 10% in Northern Ireland and by an underlying 18% in the Republic of Ireland. Branch lending also grew significantly, reflecting the strong demand for credit and an increased strategic focus by the Bank on the SME sector. The implementation of the business banking service to this important sector proved very successful and loan volumes were up 28%.

The invoice discounting business grew by 13%, a performance which showed the increasing recognition by the business community of the potential of this type of finance.

Instalment credit provided by the Lombard & Ulster companies grew significantly during the year, with growth reflecting the development of



# Ulster Bank Group

## **REVIEW OF 1997**

second hand car financing business and (in the Republic of Ireland) a legislation-driven transfer of car finance from leasing to instalment credit. Sales of new and used cars have been buoyant, with new car registrations close to record levels.

Credit card business in Northern Ireland particularly has continued to grow, supported by the highly successful Air Miles user incentive. Ulster Bank continues to be the market leader of the Purchasing Card product for the corporate sector which has seen rapid expansion during 1997.

Ulster Bank's finance and insurance business grew well in the Republic of Ireland and in Northern Ireland, where NatWest Life products are now available. Increased product offerings in both areas have enhanced customer choice and increased sales levels.

Three new branches were opened during the year to bring the total on the island to 203. Rapid expansion of the network in the Republic of Ireland in areas where the Bank has been under-represented has been a feature of the past few years but 1997 saw modest expansion in Northern Ireland as well.

Ulster Bank was awarded the Excellence Ireland Mark (formerly known as the Irish Quality Mark) for the 7th year in succession, with a further increase in our score.

Service quality to customers was further enhanced by a reciprocal ATM arrangement which was implemented in March, giving Ulster Bank ATM cardholders access to over 7,000 ATMs across the UK in the LINK network.

### **Ulster Bank Markets**

Ulster Bank Markets provides a comprehensive range of financial products and services to corporate and institutional customers. Those products and services available include treasury and currency products, fund management and administration, domestic and international corporate lending, stockbroking and corporate finance.

Ulster Bank Markets produced profits of £54.3M which was slightly down on last year. However, the predominant domicile of the business is in the Republic of Ireland and the strength of Sterling masked a very satisfactory increase in underlying performance of £4.7M, 9%.



## Ulster Bank Group

### REVIEW OF 1997

In Corporate Banking, Dublin, highlights from a very busy year included arranging a US\$100M debt private placement in the United States and the provision of substantial lease finance to a number of international groups who are expanding their Irish operations.

Corporate Banking, Belfast, had another record year and is now the established leader in the corporate lending market in Northern Ireland. The unit actively marketed the European Investment Bank subsidised loan scheme and was successful in obtaining the largest single share of these funds for its customers. It also completed the first financing in Northern Ireland under the Government's Private Finance Initiative.

Ulster Bank Investment Managers had strong growth in funds under management – an increase of 35% to IR£3.5Bn reflecting new pension fund management mandates won and growth in stock market values. Its flagship Pension Managed Fund returned 34.9% over the 12 months, over 2.5% better than the average earned by the "top 6" Irish pension managers and 1.4% better than the second best performer of that peer group.

Ulster Bank Investment Services, our IFSC-based fund administration company, saw its funds grow during the year by 37% to IR£2.3Bn. This was due to excellent growth in business from existing customers, including global investment management subsidiaries of the NatWest Group.

The synergies achievable within Markets were illustrated by an IEP40M Subordinated Debt transaction underwritten by the Ulster Bank Markets Treasury Division. This was originated by our Bonds and Derivatives Unit, with distribution handled by our Stockbroking arm, NCB Group. Our highly rated client was provided with Tier II capital at attractive pricing while our investor base achieved yield enhancement for long dated quality paper. This was the first public Irish Pound bond issue for an IFSC borrower.

NCB Group recorded excellent results and achieved a leading position in market making in Irish Government Bonds. The corporate finance business had an exceptionally good year including advising on one of the largest mergers in the history of the state.

During the year, Ulster Bank also established an Inward Investment unit which was very successful in winning new business for all parts of the Group.

## **REVIEW OF 1997**

The Medium Term Note programme launched last year to develop a longer term financing base for the Group grew very satisfactorily. At the year end, funds raised under the programme were in excess of £100M.

### **Group Topics**

Work commenced during 1997 on our new Group Headquarters building in Belfast. Following on the earlier grouping of a number of our activities in Dublin in a new building in George's Quay, this development represents a major investment and is a considerable vote of confidence in the Group by our parent NatWest. This prestigious office development in a key location will consolidate our Head Office and Northern Ireland Group operations into one central building. It is expected that occupation will be complete by mid 1999.

We are well advanced in our preparations for the commencement of EMU in the Republic of Ireland and we have been holding seminars to keep our customers in both parts of the island up to date with developments and how they will be affected. To date we have met with over 6,000 businesses and individuals. "Preparing for EMU: A Guide for Businesses" was launched during the year and we recently launched our update to this guide "EMU – A Definitive Guide for Business". Both these guides together with our short handbook "EMU Made Easy", which was published in association with the Small Firms Association, are also available to download on Ulster Bank's website at [www.ulsterbank.com](http://www.ulsterbank.com)

Preparations for the Millennium are also well in hand, with a view to being fully millennium compliant well before the year 2000.

During 1997 the Ulster Bank Group launched a major project on Operational Excellence in order to make our business best in class in every respect, thereby enhancing both efficiency and quality of service to customers.

As part of our Community Investment Programme we continued to support a wide cross-section of the community in a number of ways: at a local level through our branch network (both by supporting local charities and by involvement in community life), as well as through sporting, cultural, arts and environmental activities.



## **REVIEW OF 1997**

### **Appointments**

During the year Dr Denis Desmond retired and Professor Peter McKie CBE joined the Board as a non-executive Director. We were fortunate to have access to Dr Desmond's business experience and we welcome the contribution which his successor will make to the continued success of the Group. Bernard Horn, representative of the NatWest Group on the Board, was replaced by Martin Gray, Chief Executive of NatWest UK. The Board has benefited enormously over many years from the input to its deliberations by a succession of distinguished senior NatWest executives. Also in the course of the year the following appointments were made at senior levels in the Group – Martin Wilson, Deputy Group Chief Executive; John McNally, Chief Executive, Ulster Bank Retail; and Paddy McMahon, Chief Executive, Ulster Bank Markets.

### **Staff**

During the year a revised appraisal system for staff and an increased focus on more flexible learning within the workplace were introduced. These initiatives will contribute significantly to the enhanced development of our workforce and hence to our future success.

We greatly appreciate and value all that our staff contribute to the performance and image of the Group and we thank them for their continued dedication and commitment.

### **The Future**

Since in today's business environment there are no certainties, there is no room for complacency. Sustaining success depends on sharp vision, clear objectives and effective implementation. The ability to grasp opportunity is crucial and requires fleetness and flexibility. Equally important is the ability to develop the organisation's competencies and harness and exploit its intellectual capital. To provide focus, coherence and cohesion, the customer must be the constant point of reference. Staff at all levels have to be fully engaged and to help shape, and commit to, the organisation's aspirations for the future.

Recognising these realities and the increasing competition from new as well as existing players, Ulster Bank Group is determined to continue to enhance its standing and strength in the financial services sector throughout the island.

## **REVIEW OF 1997**

There are challenges ahead. The entry of the Republic of Ireland to EMU will impact adversely on some of our existing income streams. However, EMU also offers opportunities which we shall vigorously exploit. Above all, building on the steady enhancements to the services which we have been providing to our business customers, we look forward to helping them to access fully the benefits of deeper European integration.



**Sir George Quigley**  
*Chairman*

**R D Kells** Belfast  
*Group Chief Executive* 12 February 1998

### **Other Information**

The foregoing information is believed to be correct, but cannot be guaranteed. Opinions constitute our judgement as at the date of this Report.

Ulster Bank Group, both in the United Kingdom and the Republic of Ireland, offers an extensive range of financial and investment services to its customer base. It should be noted that the value of investments, and the income from them, can go down as well as up, and investors may not recover the amount of their original investment. Past performance is not necessarily a guide to future performance.

None of the companies within Ulster Bank Group which are based in the Republic of Ireland (other than Ulster Bank Markets Limited and NCB Stockbrokers Limited, which are regulated for investment business in the United Kingdom by IMRO and the Securities and Futures Authority respectively) or Isle of Man are subject to the rules and regulations made under the United Kingdom Financial Services Act 1986 for the protection of investors, and compensation under the United Kingdom Investors Compensation Scheme will not be available in respect of investment business conducted by such companies. A compensation scheme for certain of these companies is, however, in the process of being established under the Republic of Ireland Investment Intermediaries Act 1995.

Ulster Bank Limited, Lombard & Ulster Limited, Ulster Bank Markets Limited and Lombard & Ulster Banking Limited are members of the Deposit Protection Schemes which guarantee 90% of most depositors' funds held within the European Economic Area in member currency or ECU, up to a maximum payment per depositor of ECU20,000 for United Kingdom members and ECU15,000 for Republic of Ireland members. Ulster Bank (Isle of Man) Limited is a member of the Isle of Man Depositors' Compensation Scheme which guarantees 75% of depositors' funds up to a maximum sum of £15,000 in respect of each eligible depositor. If you require a leaflet setting out more details of the Schemes, please write to the Company Secretary at Ulster Bank Ltd, Head Office, 47 Donegall Place, Belfast, BT1 5AU.

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their report, together with audited financial statements for the year ended 31 December 1997.

### **Results**

The Group profit before taxation was £115.2M compared to £135.8M for the previous year.

The Directors recommend a final ordinary dividend of £28M which represents an increase of 7.7% on the 1996 total dividend of £26M. 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.

### **Activities**

The Bank and its subsidiaries forming Ulster Bank Group provide an extensive range of banking and financial services. The report of the Chairman and Group Chief Executive, which is adopted as part of this Report, is on pages 2 to 12. This comments on the business of the Group for the year to 31 December 1997, reflects on recent events and outlines likely future developments.

### **Corporate Governance**

In accordance with the Bank's status as a subsidiary of a listed company, the Directors have adopted all appropriate aspects of the Code of Best Practice as recommended by the Report of the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee).

### **Directorate**

The current members of the Board are as shown on page 63. Mr B P Horn and Dr D F Desmond, CBE both resigned as directors on 17 April 1997 and Mr D Went resigned on 1 November 1997. Mr H M V Gray and Mr P H McKie, CBE were appointed as non-executive directors on 1 March 1997 and 17 April 1997 respectively.

The Directors retiring by rotation at the Annual General Meeting, in accordance with the Articles of Association, will be Mr M Rafferty, Mr R W R McNulty, CBE and Mr J R Gallagher. Being eligible, Messrs Rafferty and McNulty both intend to offer themselves for re-election.

### **Directors' interests**

A table showing the interest of Directors in the Ordinary shares of National Westminster Bank Plc is shown in note 37 to the financial statements.

### **Contracts**

None of the Directors had a material interest at any time during the year in any contract of significance in relation to the Bank's business.

### **Employees**

The average number of persons employed each week by the Group was 4,654. Of those, 2,201 worked wholly or mainly in the United Kingdom and the remuneration paid or payable to them was £47.8M.

### **Employment of Disabled Persons**

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

## **REPORT OF THE DIRECTORS**

### **Equal Opportunities**

Equal Opportunities is a natural and integral part of good management practice, aimed at developing and treating people fairly and creating an environment within which staff can develop to their full potential. It is the Bank's policy to comply with the relevant provisions of legislation and have regard to Codes of Practice affecting employment practices. Through our Equal Opportunities policies we are committed to offering equality of opportunity to all. We will recruit, retain and promote people solely on merit regardless of their religion, gender, race, age, disability or any other characteristics.

### **Employee Involvement**

Great emphasis is placed on staff communication and involvement. As part of our Continuous Improvement Programme staff are encouraged to forward ideas designed to enhance customer service, operational efficiency and revenue generation to the Total Quality team for review and implementation as appropriate.

The Bank continues to hold a quality rating awarded by Excellence Ireland.

Staff continue to participate in the performance of the Bank through the National Westminster Bank Group which operates Profit Sharing and Savings Related Share Option Schemes.

### **Suppliers**

Our suppliers are vital to the Group's success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that must apply to all our dealings. Therefore, it is the Group's policy to:

- (a) wherever appropriate, settle the terms of payment when agreeing the terms of each transaction;
- (b) ensure the supplier is aware of the terms of payment; and
- (c) abide by the terms of payment.

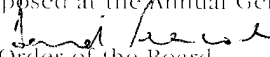
If such terms are not established when agreeing the terms of each transaction the Group will commit to paying suppliers within 30 days of a valid invoice.

### **Contributions**

During the year the Group made donations totalling £139,165 to charitable organisations in the United Kingdom.

### **Auditors**

In accordance with Article 392 of the Companies (Northern Ireland) Order 1986, a resolution for the re-appointment of KPMG as Auditors, at a remuneration to be fixed by the Directors, will be proposed at the Annual General Meeting.

  
By Order of the Board

**D J Peacock**  
*Secretary*

47 Donegall Place  
Belfast  
BT1 5AU

12 February 1998

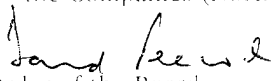


## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the Ulster Bank Limited will be held at the Head Office of the Bank, 47 Donegall Place, Belfast on 16 April 1998 at 12.30 pm for the following purposes, namely:

- 1** To receive the Report of the Directors, Financial Statements and Auditors' Report for the year ended 31 December 1997.
- 2** To declare a final dividend.
- 3** To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration.
- 4** To elect Directors  
Messrs M Rafferty and R W R McNulty retire from the Board pursuant to Article 74 and, being eligible, offer themselves for re-election.

Mr J R Gallagher retires from the Board pursuant to Article 301 of the Companies (Northern Ireland) Order 1986.

  
By Order of the Board

**D J Peacock**  
*Secretary*

47 Donegall Place  
Belfast  
BT1 5AU

12 February 1998

*Note: A member who is entitled to attend and vote at the Meeting may appoint one or more proxies (who need not be members) to attend and vote instead of him.*

## **DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 19, is made to enable shareholders to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies (Northern Ireland) Order 1986 to prepare, for each financial year, financial statements 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 profits for that financial year.

The Directors consider that, in preparing these accounts, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and which enable them to prepare financial statements which comply with the Companies (Northern Ireland) Order 1986.

The Directors are responsible for the Group's system of internal financial control. Its day-to-day operation is delegated to executive management, which has established and disseminated clearly defined Group policies and standards. The Group's system of internal financial control, which includes physical controls, procedures for the segregation of duties, and credit, trading and other authorisation limits throughout the Group, is designed to provide reasonable, but not absolute, assurance

- as to the reliability and integrity of the financial statements;
- that assets are safeguarded and only authorised transactions are entered into; and
- that fraud and other irregularities are prevented and detected.

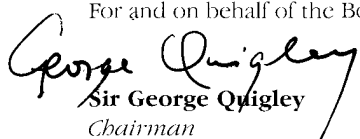
In devising internal financial controls the Group has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the costs of control. The identification and evaluation of the key business risks facing the Group is undertaken by the Group's Risk Policy Committee. The Group operates a comprehensive strategic planning and management reporting system. A strategic review is undertaken each year and a two-year operational plan is prepared annually. Financial reports are presented to the Board regularly detailing the results, variances on plan and other performance data.

The system of internal financial control is subject to scrutiny by management and internal audit. The Audit and Compliance Committee of the Board, all of whose members are non-executive directors, meets periodically with internal audit to discuss the nature, scope and results of its work. This Committee has reviewed the effectiveness of the Group's system of internal financial controls that operated during 1997.

The Bank and certain of its Northern Ireland subsidiaries are subject to the requirements of the Bank of England and other regulators in respect of internal controls. The Banking Act 1987 provides for the appointment of Reporting Accountants to review selected aspects of accounting records and other internal control systems. The scope of such reviews is determined by the Bank of England. The management and the Directors consider the Reporting Accountants' reports and discuss them with the Bank of England. In the Republic of Ireland, certain subsidiaries are periodically reviewed by the Central Bank of Ireland. Reports resulting from these reviews are considered by management.

KPMG, the independent Auditors appointed by the Shareholders of the Bank to audit the financial statements, have full and unrestricted access to the Audit and Compliance Committee to discuss their audit and related findings as to the integrity of the Group's financial reporting and the adequacy of the system of internal financial control. Both the internal auditors and KPMG have access to the Committee at any time to discuss matters they believe may be of significance. The Committee meets privately with representatives of KPMG at least once a year.

For and on behalf of the Board of Directors

  
**Sir George Quigley**  
Chairman

  
**R D Kells**  
Group Chief Executive

  
**I J Laird**  
Group Financial Controller

12 February 1998

## **REPORT OF THE AUDITORS**

### **To the Members of Ulster Bank Limited**

We have audited the financial statements on pages 20 to 54.

### **Respective Responsibilities of Directors and Auditors**

As described on page 18, the Bank's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

### **Basis of Opinion**

We conducted our audit in accordance with 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 Group's circumstances, 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 mis-statement, 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 1997 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.



**KPMG**

*Chartered Accountants*

*Registered Auditors*

*Belfast*

12 February 1998

**CONSOLIDATED PROFIT AND LOSS ACCOUNT** - *for the year ended 31 December 1997*

	Notes	1997 £000	1996 £000
Interest receivable:			
– interest receivable and similar income arising from debt securities		59,218	63,707
– other interest receivable and similar income	3	531,662	470,394
		590,880	534,101
Interest payable		(347,751)	(305,484)
<b>Net interest income</b>		243,129	228,617
Dividend income from equity shares		772	302
Fees and commissions receivable		90,384	86,234
Fees and commissions payable		(17,158)	(14,334)
Dealing profits		48,049	45,568
Other operating income		3,469	3,615
<b>Operating income</b>		368,645	350,002
Administrative expenses	4	(171,918)	(167,232)
Depreciation and amortisation	21	(19,379)	(19,339)
Other operating charges		(20,377)	(19,935)
Provisions for bad and doubtful debts	15	(11,813)	(7,708)
<b>Operating expenditure</b>		(223,487)	(214,214)
<b>Operating profit and profit on ordinary activities before tax</b>	5	145,158	135,788
Tax on profit on ordinary activities	7	(37,171)	(41,284)
<b>Profit on ordinary activities after tax</b>		107,987	94,504
Minority interests – equity		(797)	(966)
<b>Profit for the financial year</b>	8	107,190	93,538
Dividends on equity shares	9	(28,000)	(26,000)
<b>Retained profit for the year</b>	30	79,190	67,538

All items dealt with in arriving at operating profit for 1997 and 1996 relate to continuing operations.



## **CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

*for the year ended 31 December 1997*

	Note	1997 £000	1996 £000
Profit for the financial year		107,190	93,538
Other recognised gains / (losses)			
– unrealised surplus on revaluation of properties		–	3,166
– exchange rate translation differences	30	(38,398)	(11,703)
		(38,398)	(8,537)
Total recognised gains		68,792	85,001

## **NOTE OF HISTORICAL COST PROFITS AND LOSSES**

*for the year ended 31 December 1997*

In 1997 and 1996, there was no material difference between profit on ordinary activities before tax reported in the profit and loss account and profit on ordinary activities before tax on an unmodified historical cost basis.

## **CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

*for the year ended 31 December 1997*

	Note	1997 £000	1996 £000
Retained profit for the year		79,190	67,538
Other recognised gains/(losses)			
– unrealised surplus on revaluation of properties		–	3,166
– exchange rate translation differences	30	(38,398)	(11,703)
Goodwill written back		–	2,132
Net increase in shareholders' funds		40,792	61,133
Opening shareholders' funds – equity interests		492,952	431,819
Closing shareholders' funds – equity interests		533,744	492,952

## **CONSOLIDATED BALANCE SHEET** - at 31 December 1997

	Notes	1997 £000	1996 £000
<b>Assets</b>			
Cash and balances at central banks	11	70,598	76,114
Items in the course of collection from other banks		88,999	92,113
Treasury and other eligible bills	12	980	11
Loans and advances to banks	13	2,707,379	2,457,787
Loans and advances to customers	14	4,777,913	4,204,079
Operating lease assets	17	3,586	—
Debt securities	18	936,013	951,021
Equity shares	19	2,263	6,908
Tangible fixed assets	21	116,336	121,327
Other assets	22	595,472	689,630
Prepayments and accrued income		82,416	70,524
<b>Total Assets</b>	10	9,381,955	8,669,514
<b>Liabilities</b>			
Items in the course of transmission to other banks		16,962	14,630
Deposits by banks	23	2,771,387	2,446,002
Customer accounts	24	4,830,212	4,525,121
Debt securities in issue	25	148,641	62,059
Other liabilities	26	888,272	940,385
Accruals and deferred income		109,340	117,139
Provisions for liabilities and charges:			
– deferred taxation	27	42,534	31,008
– other provisions for liabilities and charges		252	278
Subordinated liabilities:			
– undated loan capital	28	15,000	15,000
– dated loan capital	28	22,000	22,000
Minority interests – equity		3,611	2,940
Called up share capital	29	105,000	105,000
Revaluation reserve	30	10,904	11,888
Profit and loss account	30	417,840	376,064
Shareholders' funds – equity interests		533,744	492,952
<b>Total Liabilities</b>	10	9,381,955	8,669,514
<b>Memorandum Items</b>			
Contingent liabilities:	33		
– acceptances and endorsements		4,222	8,249
– guarantees and assets pledged as collateral security		144,395	71,438
– other contingent liabilities		216,222	236,062
		364,839	315,749
Commitments:			
– other commitments		1,845,397	1,787,813

These financial statements were approved by the Board of Directors on 12 February 1998 and signed on its behalf by

**Sir George Quigley**

*Chairman*

**R D Kells**

*Group Chief Executive*

**I J Laird**

*Group Financial Controller*

# **BALANCE SHEET** - at 31 December 1997

	Notes	1997 £000	1996 £000
<b>Assets</b>			
Cash and balances at central banks	11	70,595	76,110
Items in the course of collection from other banks		88,999	92,113
Treasury and other eligible bills	12	980	11
Loans and advances to banks	13	2,047,270	1,772,998
Loans and advances to customers	14	2,990,562	2,607,927
Debt securities	18	717,073	750,398
Equity shares	19	298	666
Shares in Group undertakings	20	61,402	62,177
Tangible fixed assets	21	98,628	104,637
Other assets	22	21,143	26,206
Prepayments and accrued income		58,240	51,889
<b>Total Assets</b>	10	6,155,190	5,545,132
<b>Liabilities</b>			
Items in the course of transmission to other banks		16,962	14,630
Deposits by banks	23	2,189,496	1,841,021
Customer accounts	24	3,256,081	3,044,856
Debt securities in issue	25	10,000	5,000
Other liabilities	26	280,891	248,416
Accruals and deferred income		112,858	111,807
Provisions for liabilities and charges:			
– deferred taxation	27	(367)	(192)
Subordinated liabilities			
– undated loan capital	28	30,000	30,000
– dated loan capital	28	28,479	29,418
Called up share capital	29	105,000	105,000
Revaluation reserve	30	10,904	11,888
Profit and loss account	30	114,886	103,288
Shareholders' funds – equity interests		230,790	220,176
<b>Total Liabilities</b>	10	6,155,190	5,545,132
<b>Memorandum Items</b>			
Contingent liabilities:	33		
– acceptances and endorsements		4,222	8,249
– guarantees and assets pledged as collateral security		434,941	55,902
– other contingent liabilities		102,158	91,817
		541,321	155,968
Commitments:			
– other commitments		1,164,539	1,182,431

These financial statements were approved by the Board of Directors on 12 February 1998 and signed on its behalf by

**Sir George Quigley**

*Chairman*

*George Quigley*

**R D Kells**

*Group Chief Executive*

**I J Laird**

*Group Financial Controller*

*I J Laird*



## NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1997*

### 1 Basis of Consolidation

The Group financial statements comprise the financial statements of the Bank for the year ended 31 December 1997 and those of all the subsidiary undertakings. In order to avoid undue delay in presentation of the Group's financial statements, the financial statements of subsidiary undertakings have been made up to 30 November except for Ulster International Finance and Commercial Services Company and Ulster Investment Services Limited which have their year end at 31 December. 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.

### 2 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies are set out below.

(i) Accounting convention

The Group financial statements have been prepared under the historical cost convention supplemented by the revaluation of certain land and buildings and in compliance with the special provisions contained in the Part VIII of, and Schedule 9 to, the Companies (Northern Ireland) Order 1986 relating to banking groups.

(ii) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are made as considered necessary having regard to both specific and general factors. The general element arises in relation to existing losses which, although not separately identified, are known from experience to be present in any portfolio of bank advances. Provisions made (less amounts released) during the year are charged against profits. Advances are written down to estimated realisable value when the normal banking relationship with the borrower has ceased. Where the collection of interest is in significant doubt it is credited to a suspense account. Suspended interest is written off when there is no longer any realistic prospect of it being recovered. Advances are shown net of the amount of suspended interest.

(iii) Securities (treasury and other eligible bills, debt securities and equity shares)

Securities 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 permanent diminution in value. The carrying value of dated investment securities is adjusted over the period to maturity to allow for the amortisation of premiums or discounts. Such amortisation is included in interest receivable. Securities maintained for the purpose of hedging are carried at a value which reflects the accounting treatment of the items hedged.

Other securities are carried at market value. The difference between the cost of such securities and market value, where the market value is higher than the cost, is not disclosed as its determination is not practicable. Short positions in securities are carried at market value.

(iv) Deferred taxation

Tax deferred or accelerated by timing differences is accounted for to the extent that it is probable that a liability or asset will arise. It is calculated at rates expected to be applicable when the liabilities or assets are expected to crystallise.

(v) Foreign currencies

Assets and liabilities of subsidiary undertakings denominated in foreign currencies have been translated into sterling at rates current on 31 December. The results of these undertakings are translated at average rates of exchange for the year.

Exchange differences arising from translation of these undertakings' opening net assets and from the restatement of their results at average and year-end rates are reported as a movement on reserves.

(vi) Instalment credit agreements

Income from instalment credit agreements is credited to interest income over the period during which the repayments fall due in proportion to the funds invested. These balances are included under loans and advances after deducting unearned charges.

(vii) Leases

Income from leases is credited to interest income in proportion to the funds invested. The amounts receivable under finance lease agreements are included under loans and advances after deducting unearned charges.

(viii) Depreciation

Land is not depreciated. It is the Group's policy to maintain its properties in a continual state of sound repair and to extend and make improvements thereto. Accordingly the directors consider that the residual value (based on prices prevailing at the time of acquisition or subsequent valuation) and useful economic lives of freehold and long leasehold properties are such that the charge for depreciation would not be significant. Consequently these properties are not depreciated. Depreciation on other fixed assets is provided on a straight-line basis over the estimated useful lives generally as follows:



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

Short leases (less than 50 years unexpired)	unexpired periods
Property adaptation costs	10 years
Computer and other equipment	4-10 years

- (ix) Pension costs  
The pension cost relating to pension schemes operated by the Group is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives.
- (x) Profit sharing payments  
The profit sharing entitlements of employees under the National Westminster Bank Group Profit Sharing Scheme for the current year are calculated by reference to the previous year's consolidated results of National Westminster Bank Group, and accordingly are accounted for in the profit and loss account when paid. Other performance related payments are accrued in the year in which they are earned.
- (xi) Interests in associated undertakings and shares in Group 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 tangible assets. The Bank's interests in associated undertakings and shares in Group undertakings are stated at cost less provision for any permanent diminution in value.
- (xii) Forward foreign exchange contracts and other derivatives  
Derivatives, including swaps, futures and forward contracts, options and similar contracts, used in trading activities are carried at their fair values. Fair values are based on quoted market prices when available. If no quoted price exists for a particular instrument, fair value is determined from market prices for its components using appropriate models. Changes in the fair value of trading derivatives are included in 'Dealing profits'. Positive and negative fair values of trading derivatives 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. Derivatives held to hedge assets, liabilities or positions measured on the accruals basis are classified as non-trading and accounted for in the same manner as the underlying items hedged. Profits and losses on instruments hedging interest-rate exposure are recognised over the life of the contract as an adjustment to interest receivable or payable. 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.
- (xiii) 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) is either deducted from the Group's profit and loss account reserves or capitalised as an intangible asset and amortised over its useful life. 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 or goodwill taken direct to reserves on acquisition with the proceeds received.
- (xiv) Netting  
Debit and credit balances are offset where they do not constitute separate assets and liabilities of the Group under arrangements that give a legally enforceable right of set-off which would survive the insolvency of the other party.
- (xv) 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.
- (xvi) Fees Receivable  
Fees receivable that represent a return for services provided are brought into profit when the related service is performed. Certain front-end fees relating to loans and advances are, subject to yield criteria, taken to profit over the period of the loan.
- (xvii) Cash flow statement  
The Bank is a wholly owned subsidiary of National Westminster Bank Plc and the cash flows of the Bank are included in the consolidated Group cash flow statement of National Westminster Bank Plc. Consequently the Bank is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.
- (xviii) Comparative amounts  
Certain comparative amounts for 1996 have been reclassified to accord with changes in presentation made in 1997.



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 3. Other Interest Receivable and Similar Income

	1997	1996
	£000	£000
Other interest receivable and similar income includes:		
Operating lease rentals	190	-
Depreciation (note 17)	(120)	-
	<hr/> 70	<hr/> -

### 4. Administrative Expenses

	1997	1996
	£000	£000
Staff costs:		
- wages and salaries	111,156	110,785
- social security costs	8,677	8,407
- other pension costs (note 31)	5,890	5,845
	<hr/> 125,723	<hr/> 125,037
Other administrative expenses	46,195	42,195
	<hr/> 171,918	<hr/> 167,232

### 5. Operating Profit and Profit on Ordinary Activities Before Tax

	1997	1996
	£000	£000
Is stated after:		
(a) Income		
(i) Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	558,367	512,075
(ii) Profits less losses on securities dealing	10,618	14,035
(iii) Profits less losses on disposal of investment securities	1,373	1,675
(iv) Rents receivable	408	333
(b) Expenditure		
(i) Charges incurred with respect to subordinated liabilities	2,536	2,319
(ii) Operating lease rentals:		
- property	8,237	8,085
- hire of computers and equipment	1,766	1,247
(iii) Profit sharing payments	8,228	10,063
(iv) Auditors' remuneration:		
- the Group	290	279
- the Bank	62	59
(v) Group fees paid to auditors for non-audit work:		
- United Kingdom	172	201
- Republic of Ireland	114	163

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**6. Emoluments of Directors**

	1997 £000	1996 £000
Fees	112	114
Other emoluments:		
– salaries	743	660
– benefits	119	127
– performance related bonuses	196	150
– pension contributions	47	50
	<b>1,217</b>	<b>1,101</b>

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.

Emoluments of the Chairman and highest paid Director:

	Chairman		Highest Paid Director	
	1997 £	1996 £	1997 £	1996 £
Fees	42,552	42,552	–	–
Salary	–	–	165,947	150,275
Benefits	12,870	6,674	13,516	22,775
Performance related bonuses	–	–	50,955	45,124
	<b>55,422</b>	<b>49,226</b>	<b>230,418</b>	<b>218,174</b>
Pension contributions	–	–	19,234	19,711
	<b>55,422</b>	<b>49,226</b>	<b>249,652</b>	<b>237,885</b>

The following table shows the number of directors of the Bank receiving emoluments, excluding pension contributions, within the bands stated:

Emoluments (£)	1997	1996
Up to 5,000	4	2
5,001 – 10,000	3	3
15,001 – 20,000	1	–
20,001 – 25,000	1	2
45,001 – 50,000	–	1
55,001 – 60,000	1	–
110,001 – 115,000	–	1
120,001 – 125,000	1	1
130,001 – 135,000	1	–
135,001 – 140,000	–	1
145,001 – 150,000	–	1
155,001 – 160,000	1	–
165,001 – 170,000	1	–
185,001 – 190,000	–	1
215,001 – 220,000	–	1
230,001 – 235,000	2	–

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**7. Tax on Group Profit on Ordinary Activities**

	1997 £000	1996 £000
The taxation charge based on the profits for the year is made up as follows:		
United Kingdom corporation tax at 31.5% (1996 - 33%)		
– current year	20,297	20,185
– prior year	623	81
Relief for double taxation	(10,875)	(9,100)
	10,045	11,166
Republic of Ireland corporation tax	13,358	17,443
Duty on tax based income	226	212
Deferred taxation		
– current year	17,016	12,459
– prior year	(3,474)	4
	37,171	41,284

**8. Profit dealt with in the Financial Statements of the Bank**

Of the profit for the financial year, **£53,424,000** (1996 £39,680,000) 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.

**9. Dividends**

	1997 £000	1996 £000
Equity dividends on ordinary shares:		
Interim (paid)	–	10,000
Final (proposed)	28,000	16,000
	28,000	26,000

**10. Assets and Liabilities Denominated in Foreign Currency**

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Denominated in sterling	3,626,087	3,053,175	3,359,232	2,834,503
Denominated in other currencies	5,755,868	3,102,015	5,310,282	2,710,629
Total assets	9,381,955	6,155,190	8,669,514	5,545,132
Denominated in sterling	3,763,234	3,085,583	3,325,780	2,836,270
Denominated in other currencies	5,618,721	3,069,607	5,343,734	2,708,862
Total liabilities	9,381,955	6,155,190	8,669,514	5,545,132



**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**11. 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.

**12. Treasury and Other Eligible Bills**

	1997 £000	1996 £000
Group and Bank		
Other securities:		
- treasury bills and similar securities	980	11

**13. Loans and Advances to Banks**

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Repayable on demand	188,684	79,421	125,392	95,090
Other loans and advances by remaining maturity:				
- 3 months or less	2,005,324	1,540,311	1,966,378	1,350,550
- 1 year or less but over 3 months	450,134	239,366	330,863	161,176
- 5 years or less but over 1 year	29,677	26,367	4,945	23,083
- over 5 years	33,560	161,805	30,209	143,099
	2,707,379	2,047,270	2,457,787	1,772,998
Amounts include:				
Subordinated loans	-	8,500	-	8,500
Due from parent and fellow subsidiary undertakings	670,612	310,621	626,453	106,178
Due from subsidiary undertakings:				
- subordinated		8,500		8,500
- unsubordinated		985,117		1,008,148
		993,617		1,016,648

Loans and advances to banks which have been offset with related borrowings amount to - Group: **£602,441,000**, Bank: **£342,245,000** (1996 Group: £724,688,000, Bank: £494,301,000). Of these amounts **£342,245,000** (1996 £494,301,000) relate to transactions with the parent company.

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

**14. Loans and Advances to Customers**

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Remaining maturity:				
- on demand or at short notice	833,601	762,740	682,308	617,954
- 3 months or less but not on demand or short notice	1,178,871	392,219	1,072,791	310,027
- 1 year or less but over 3 months	669,269	279,633	720,581	333,252
- 5 years or less but over 1 year	1,135,824	719,957	904,609	619,642
- over 5 years	1,011,730	850,033	877,059	738,518
General and specific bad and doubtful debt provisions	(51,382)	(14,020)	(53,269)	(11,466)
	<u>4,777,913</u>	<u>2,990,562</u>	<u>4,204,079</u>	<u>2,607,927</u>
Amounts are unsubordinated and include:				
Due from parent and fellow subsidiary undertakings	<u>66,469</u>	<u>63,153</u>	<u>63,300</u>	<u>59,755</u>
Due from subsidiary undertakings		<u>330,520</u>		<u>268,558</u>

Group amounts of loans and advances to customers include **£405,690,000** (1996 £377,931,000) receivable under finance leases and **£415,403,000** (1996 £338,572,000) in respect of instalment credit agreements. Amounts in respect of finance lease receivables which have been offset with related borrowings amount to £47,676,000 (1996: £27,513,000).

**15. Provisions for Bad and Doubtful Debts**

	1997			1996		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
<b>Group</b>						
At 1 January	46,390	6,879	53,269	53,487	3,789	57,276
Exchange adjustments	(4,715)	(632)	(5,347)	(1,696)	(175)	(1,871)
Charge against profits	9,102	2,711	11,813	4,443	3,265	7,708
Amounts written off net of recoveries	(8,353)	-	(8,353)	(9,844)	-	(9,844)
At 31 December	<u>42,424</u>	<u>8,958</u>	<u>51,382</u>	<u>46,390</u>	<u>6,879</u>	<u>53,269</u>
Amounts held in respect of loans and advances to:						
- customers			<u>51,382</u>			<u>53,269</u>



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 15. Provisions for Bad and Doubtful Debts (continued)

	1997			1996		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
<b>Bank</b>						
At 1 January	6,269	5,197	11,466	6,193	2,266	8,459
Exchange adjustments	(443)	(431)	(874)	(144)	(106)	(250)
Charge against profits	2,898	2,890	5,788	2,275	3,037	5,312
Amounts written off net of recoveries	(2,360)	—	(2,360)	(2,055)	—	(2,055)
At 31 December	6,364	7,656	14,020	6,269	5,197	11,466
Amounts held in respect of loans and advances to:						
– customers			14,020			11,466

### 16. Interest in Suspense

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
At 1 January	14,132	279	12,949	262
Exchange adjustments	(1,810)	(24)	(578)	(5)
Net interest suspended in the year	2,394	166	2,033	120
Interest in suspense written off	(74)	(73)	(272)	(98)
At 31 December	14,642	348	14,132	279

Loans and Advances to  
customers on which interest  
is being placed in suspense

Gross loans and advances	24,425	14,236	21,507	12,917
Provision	(12,248)	(5,635)	(10,791)	(5,392)
	12,177	8,601	10,716	7,525

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**17. Operating Lease Assets**

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Additions	3,706	-	-	-
Depreciation charge for the year	(120)	-	-	-
At 31 December 1997	3,586	-	-	-

**18. Debt Securities**

The carrying value of debt securities is as follows:

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Investment securities:				
Issued by public bodies				
- government securities	401,785	375,136	391,723	369,732
Issued by other issuers				
- other debt securities	266,006	255,718	351,747	313,878
	667,791	630,854	743,470	683,610
Other securities:				
Issued by public bodies				
- government securities	91,220	-	34,765	-
Issued by other issuers				
- bank and building society certificates of deposits	140,290	85,000	120,406	66,000
- other debt securities	36,712	1,219	52,380	788
	268,222	86,219	207,551	66,788
	936,013	717,073	951,021	750,398
Amounts are unsubordinated and include:				
Due from parent and fellow subsidiary undertakings	13,821	-	34,616	-
Debt securities become due:				
- within 1 year	279,809	214,765	358,163	248,204
- 1 year and over	656,204	502,308	592,858	502,194
	936,013	717,073	951,021	750,398



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 18. Debt Securities (continued)

The market value of investment debt securities is as follows:

	1997 Group Market value £000	1997 Bank Market value £000	1996 Group Market value £000	1996 Bank Market value £000
Investment securities:				
Issued by public bodies				
– government securities	409,968	383,008	396,175	373,794
Issued by other issuers				
– other debt securities	275,021	264,733	364,142	326,106
	684,989	647,741	760,317	699,900
	1997 Carrying value £000	1997 Market value £000	1996 Carrying value £000	1996 Market value £000
<b>Group</b>				
Investment securities:				
– listed on a recognised				
UK exchange	362,514	371,838	414,768	426,001
– listed elsewhere	296,201	303,991	300,708	306,159
– unlisted	9,076	9,160	27,994	28,157
	667,791	684,989	743,470	760,317
Other debt securities:				
– listed other than on a				
recognised UK exchange	126,713		34,765	
– unlisted	141,509		172,786	
	268,222		207,551	
<b>Bank</b>				
Investment securities:				
– listed on a recognised				
UK exchange	337,800	347,126	366,877	377,832
– listed elsewhere	283,978	291,455	288,739	293,911
– unlisted	9,076	9,160	27,994	28,157
	630,854	647,741	683,610	699,900
Other debt securities:				
– unlisted	86,219		66,788	

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**18. Debt Securities (continued)**

Investment securities	Cost	Amortised discounts/ (premiums)	Carrying value
	£000	£000	£000
<b>Group</b>			
At 1 January 1997	748,101	(4,631)	743,470
Exchange adjustments	(41,404)	204	(41,200)
Acquisitions	331,946	–	331,946
Securities sold or matured	(365,147)	4,089	(361,058)
Amortisation of discounts and premiums	–	(5,367)	(5,367)
At 31 December 1997	673,496	(5,705)	667,791

<b>Bank</b>			
At 1 January 1997	689,081	(5,471)	683,610
Exchange adjustments	(38,480)	341	(38,139)
Acquisitions	307,123	–	307,123
Securities sold or matured	(321,315)	5,289	(316,026)
Amortisation of discounts and premiums	–	(5,714)	(5,714)
At 31 December 1997	636,409	(5,555)	630,854

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Unamortised (premiums)/discounts on investment debt securities	(3,989)	(4,229)	(4,555)	(4,921)

Assets subject to sale and repurchase transactions				
	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Debt securities – carrying value	236,798	191,533	–	–

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

**19. Equity Shares**

	1997 Carrying value £000	1997 Market value £000	1996 Carrying value £000	1996 Market value £000
<b>Group</b>				
Investment securities:				
– listed on a recognised UK exchange	1	1	1	1
– listed elsewhere	888	1,720	5,556	6,189
– unlisted	578	577	1,049	1,049
	1,467	2,298	6,606	7,239
<b>Other Securities:</b>				
– listed other than on a recognised UK exchange	796		302	
	2,263		6,908	
<b>Bank</b>				
Investment securities:				
– listed on a recognised UK exchange	1	1	1	1
– unlisted	297	297	665	665
	298	298	666	666

Investment securities	Cost £000	Provisions £000	Carrying value £000
<b>Group</b>			
At 1 January 1997	7,103	(497)	6,606
Exchange adjustments	(463)	7	(456)
Acquisitions	357	–	357
Disposals	(5,040)	–	(5,040)
At 31 December 1997	1,957	(490)	1,467
<b>Bank</b>			
At 1 January 1997	1,163	(497)	666
Exchange adjustments	(9)	7	(2)
Disposals	(366)	–	(366)
At 31 December 1997	788	(490)	298

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**20. Shares in Group Undertakings**

	Cost and carrying value £000	
<b>The Bank</b>		
At 1 January 1997		62,177
Exchange adjustments		(775)
At 31 December 1997		61,402
Subsidiary undertakings comprise:	1997 £000	1996 £000
- banks	10,468	11,187
- other	50,934	50,990
Total - all unlisted	61,402	62,177

(a) The principal subsidiary undertakings of Ulster Bank Limited are:

<b>Undertaking</b>	<b>Nature of business</b>	<b>Incorporated in</b>
JCB Credit Ltd	Credit finance & leasing	England
Lombard & Ulster Banking Ltd	Banking services, credit finance & leasing	Republic of Ireland
Lombard & Ulster Ltd	Banking services, credit finance & leasing	Northern Ireland
NCB Group Ltd	Financial services	Republic of Ireland
Ulster Bank Commercial Services Ltd	Debtor finance	Republic of Ireland
Ulster Bank Commercial Services (NI) Ltd	Debtor finance	Northern Ireland
Ulster Bank Dublin Trust Company	Trustees	Republic of Ireland
Ulster Bank Finance PLC	Issue of debt instruments	Republic of Ireland
Ulster Bank Group Treasury (International) Ltd	Foreign exchange services	Republic of Ireland
Ulster Bank (Ireland) Holdings	Holding company	Republic of Ireland
Ulster Bank (Ireland) Ltd	Investment company	Republic of Ireland
Ulster Bank (Isle of Man) Ltd	Banking	Isle of Man
Ulster Bank Markets Ltd	Corporate & investment banking, foreign exchange services	Republic of Ireland
Ulster International Finance & Commercial Services Company	Asset financing	Northern Ireland
Ulster Investment Services Ltd	Investment company	Northern Ireland

(b) The Bank holds 100% of the equity share capital of all subsidiary undertakings apart from Ulster Bank Commercial Services Ltd where the holding is 90.9%, JCB Credit Ltd where the holding is 75%, and Ulster Bank Insurance Services Ltd where the holding is 51%.



**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

<b>21. Tangible Fixed Assets</b>	Freehold land and buildings	Leases of 50 years or more unexpired	Leases of 50 years or less unexpired	Computer and other equipment	Total
	£000	£000	£000	£000	£000
<b>Group</b>					
Cost or valuation					
At 1 January 1997	40,989	9,512	6,414	133,492	190,407
Exchange adjustments	(3,232)	(680)	(536)	(10,194)	(14,642)
Additions	3,983	93	1,009	21,320	26,405
Disposals	(304)	(27)	(115)	(15,608)	(16,054)
At 31 December 1997	41,436	8,898	6,772	129,010	186,116
Accumulated depreciation					
At 1 January 1997			1,415	67,665	69,080
Exchange adjustments			(127)	(5,009)	(5,136)
Disposals			(59)	(13,484)	(13,543)
Charge for the year			406	18,973	19,379
At 31 December 1997			1,635	68,145	69,780
Net book value:					
- at 31 December 1997	41,436	8,898	5,137	60,865	116,336
- at 31 December 1996	40,989	9,512	4,999	65,827	121,327
<b>Bank</b>					
Cost or valuation					
At 1 January 1997	40,861	9,008	4,507	102,342	156,718
Exchange adjustments	(3,232)	(618)	(354)	(6,711)	(10,915)
Additions	3,983	93	306	13,677	18,059
Disposals	(176)	-	-	(10,138)	(10,314)
At 31 December 1997	41,436	8,483	4,459	99,170	153,548
Accumulated depreciation					
At 1 January 1997			944	51,137	52,081
Exchange adjustments			(55)	(3,358)	(3,413)
Disposals			-	(9,165)	(9,165)
Charge for the year			180	15,237	15,417
At 31 December 1997			1,069	53,851	54,920
Net book value:					
- at 31 December 1997	41,436	8,483	3,390	45,319	98,628
- at 31 December 1996	40,861	9,008	3,563	51,205	104,637

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**21. Tangible Fixed Assets** (continued)

The Group's freehold and long leasehold properties were independently valued by professional valuers during 1996 on the basis of open market value for existing use. Northern Ireland properties were valued by The Whelan Partnership and the Republic of Ireland properties by Messrs Donal O'Buachalla & Company Limited. The resulting surplus over the book value was credited to the Revaluation Reserve in 1996 and the book values adjusted accordingly.

Cost or valuation of freehold and long leasehold premises at 31 December comprises:	1997 Freehold land and buildings £000	1997 Leases of 50 years or more unexpired £000	1996 Freehold land and buildings £000	1996 Leases of 50 years or more unexpired £000
<b>Group</b>				
At valuation	37,434	8,391	40,861	9,008
At cost	4,002	507	128	504
	41,436	8,898	40,989	9,512
<b>Bank</b>				
At valuation	37,434	8,390	40,861	9,008
At cost	4,002	93	-	-
	41,436	8,483	40,861	9,008
<hr/>				
	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
On the historical cost basis, freehold and long leasehold premises would have been included as follows:				
Cost and net book value	39,430	39,015	38,613	37,981
Land and buildings occupied for own activities:				
Net book value	47,514	45,353	47,614	45,674
Future capital expenditure:				
Contracted expenditure not provided in the accounts	25,213	25,213	3,581	2,357

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

<b>22. Other Assets</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Mark-to-market value of foreign exchange and interest rate contracts	331,096	5,702	356,511	13,438
Settlement balances	161,790	–	256,297	–
Other	102,586	15,441	76,822	12,768
	595,472	21,143	689,630	26,206
<b>23. Deposits by Banks</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Repayable on demand	121,196	42,913	88,129	29,223
With agreed maturity dates or periods of notice, by remaining maturity:				
– 3 months or less but not repayable on demand	2,343,236	1,226,086	1,864,886	959,457
– 1 year or less but over 3 months	228,437	402,437	421,808	325,701
– 5 years or less but over 1 year	59,555	176,269	63,268	198,328
– over 5 years	18,963	341,791	7,911	328,312
	2,771,387	2,189,496	2,446,002	1,841,021
Amounts include:				
Due to parent and fellow subsidiary undertakings	1,474,824	584,198	1,377,891	435,056
Due to subsidiary undertakings		1,105,968		1,026,066
<b>24. Customer Accounts</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Repayable on demand	2,221,723	1,996,583	2,268,518	2,017,619
With agreed maturity dates or periods of notice, by remaining maturity:				
– 3 months or less but not repayable on demand	2,293,697	1,093,851	1,984,543	910,109
– 1 year or less but over 3 months	155,393	72,365	217,785	106,613
– 5 years or less but over 1 year	100,224	44,374	52,834	10,515
– over 5 years	59,175	48,908	1,441	–
	4,830,212	3,256,081	4,525,121	3,044,856
Amounts include:				
Due to parent and fellow subsidiary undertakings	19,966	795	22,834	16,715
Due to subsidiary undertakings		5,783		6,504

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

<b>25. Debt Securities in Issue</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Bonds and medium term notes, by remaining maturity:				
- 1 year or less or on demand	30,249	-	12,370	-
- 2 years or less but over 1 year	51,431	-	-	-
- 5 years or less but over 2 years	-	-	22,142	-
- over 5 years	20,030	-	7,227	-
	101,710	-	41,739	-
Other debt securities in issue, by remaining maturity:				
- 3 months or less	18,639	10,000	5,000	5,000
- 1 year or less but over 3 months	25,918	-	13,070	-
- over 5 years	2,374	-	2,250	-
	46,931	10,000	20,320	5,000
	148,641	10,000	62,059	5,000
<b>26. Other Liabilities</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Short positions in securities	49,420	-	22,697	-
Mark-to-market value of foreign exchange and interest rate contracts	376,187	6,501	354,280	8,578
Trade creditors	2,896	-	2,037	-
Settlement balances	147,543	-	292,285	-
Taxation, due within one year	21,454	24,766	22,966	17,418
Notes in circulation	179,313	179,313	166,724	166,724
Dividends payable	28,000	28,000	16,000	16,000
Other liabilities	83,459	42,311	63,396	39,696
	888,272	280,891	940,385	248,416
<b>27. Deferred Taxation</b>	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
The amount provided at the rates at which the liabilities are expected to crystallise is:				
Short term timing differences	2,059	(1,700)	243	(2,326)
Equipment held for leasing	17,352	-	14,070	-
Capital allowances	1,377	1,333	2,017	2,134
Other timing differences	21,746	-	14,678	-
	42,534	(367)	31,008	(192)

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

**27. 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. The Directors are of the opinion that the likelihood of any material liability arising in this respect is remote and that no useful purpose would be served by quantifying the potential liability.
- (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.

Movements on the provisions:	Group £000	Bank £000
At 1 January 1997	31,008	(192)
Exchange adjustments	(2,016)	32
Arising/(released) during the year	13,542	(207)
At 31 December 1997	42,534	(367)

**28. Loan Capital**

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Undated				
- held by fellow subsidiary undertaking	15,000	-	15,000	-
- held by subsidiary undertaking	-	30,000	-	30,000
	15,000	30,000	15,000	30,000
Dated				
Repayable 2002				
- held by fellow subsidiary undertaking	22,000	22,000	22,000	22,000
IR£ loan capital repayable 2003/7				
- held by subsidiary undertaking	-	6,479	-	7,418
	22,000	28,479	22,000	29,418

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 undated and dated loan capital held by fellow subsidiary undertakings is payable quarterly at a margin over London Interbank Offered rates. Interest on other dated loan capital is payable quarterly at a margin over Dublin Interbank Offered rates. There is no coupon attaching to the undated loan capital held by a subsidiary undertaking.

Early repayment of the dated loan capital held by a fellow subsidiary undertaking may take place at any time after 1 January 1998 with a notice period of at least 30 days. Dated loan capital held by a subsidiary undertaking is repayable in five equal annual tranches commencing 1 January 2003 and concluding on 1 January 2007.

Early repayment of loan capital is subject to the prior consent of the Bank of England 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.

**29. Called Up Share Capital**

	Authorised		Allotted, called up and fully paid	
	1997 £000	1996 £000	1997 £000	1996 £000
Equity shares				
Ordinary shares of £1 each	150,000	150,000	105,000	105,000

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**30. Reserves**

	Revaluation reserve £000	Profit and loss account £000	Total £000
Equity reserves are analysed below:			
<b>Group</b>			
At 1 January 1997	11,888	376,064	387,952
Exchange adjustments	(989)	(37,409)	(38,398)
Retained profit for the year	–	79,190	79,190
Transfer of realised loss	5	(5)	–
At 31 December 1997	10,904	417,840	428,744
<b>Bank</b>			
At 1 January 1997	11,888	103,288	115,176
Exchange adjustments	(989)	(13,821)	(14,810)
Retained profit for the year	–	25,424	25,424
Transfer of realised profit	5	(5)	–
At 31 December 1997	10,904	114,886	125,790

The cumulative amount of goodwill written off against the Group's profit and loss account, attributable to subsidiary undertakings acquired and not subsequently sold, is **£15,982,000** (1996 £15,982,000).

**31. Other Pension Costs**

The Group operates a number of pension schemes which are defined benefit schemes, the assets of which are held in separate trustee administered funds. As at 31 December 1995, the date of the latest triennial valuation of the major schemes, the market value of the assets was £379,081,000 and the actuarial value 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 3½% and that dividend growth would match price inflation.

The total pension cost for the Group is assessed in accordance with the advice of independent qualified actuaries, and amounted to **£5,890,000** (1996 £5,845,000). Acting on the advice of the actuary for the principal scheme, funding is temporarily suspended and further funding is unlikely to be required until the next valuation at 31 December 1998 which will be completed in 1999.

At the Balance Sheet date there were amounts of **£661,000** (1996 £789,200) included in prepayments and accrued income and **£9,886,000** (1996 £8,071,000) included in accruals and deferred income in respect of the major pension schemes operated by the Group.

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

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

Segmental information:

Geographical segments	United Kingdom £000	Republic of Ireland £000	Total £000
Profit on ordinary activities before tax (note a)			
1997	57,503	87,655	145,158
1996	54,868	80,920	135,788
Net assets (note b)			
1997	152,762	421,593	574,355
1996	163,145	369,747	532,892
Total assets (note b)			
1997	3,292,660	6,089,295	9,381,955
1996	2,937,984	5,731,530	8,669,514
Average assets (note c)			
1997	3,339,397	6,076,624	9,416,021
1996	3,060,385	5,200,145	8,260,530
Class of business	Retail £000	Markets £000	Total £000
Profit on ordinary activities before tax (note a)			
1997	90,864	54,294	145,158
1996	81,058	54,730	135,788
Net assets (note b)			
1997	330,890	243,465	574,355
1996	300,098	232,794	532,892
Total assets (note b)			
1997	3,984,900	5,397,055	9,381,955
1996	3,926,192	4,743,322	8,669,514
Average assets (note c)			
1997	3,894,540	5,521,481	9,416,021
1996	3,740,974	4,519,556	8,260,530

Notes

- (a) Interest on loan capital, central services costs and earnings on shareholders' funds are apportioned segmentally on appropriate bases.
- (b) In view of the nature of the financial services business it is appropriate to analyse total assets by segment in addition to net assets, which comprise shareholders' funds, loan capital and minority interests.
- (c) Average total assets attributed to segments are derived from a combination of daily, monthly and quarterly balances.
- (d) Particulars of gross income are not disclosed.

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**33. Memorandum Items**

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

	1997 Contract amount £000	1997 Risk weighted amount £000	1996 Contract amount £000	1996 Risk weighted amount £000
<b>Group</b>				
Contingent liabilities:				
- Acceptances and endorsements	4,222	4,222	8,249	8,185
- Guarantees and assets pledged as collateral security:				
- guarantees	144,395	140,409	71,438	67,369
- Other contingent liabilities	216,222	121,824	236,062	143,532
	<hr/> 364,839	<hr/> 266,455	<hr/> 315,749	<hr/> 219,086
Commitments:				
- Documentary credits and other short term trade-related contingent obligations	11,756	2,351	12,045	2,337
- Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
- less than one year or unconditionally cancellable at any time	1,534,303	-	1,434,638	-
- one year and over	299,338	142,692	341,130	167,253
	<hr/> 1,845,397	<hr/> 145,043	<hr/> 1,787,813	<hr/> 169,590
<b>Bank</b>				
Contingent liabilities:				
- Acceptances and endorsements	4,222	4,222	8,249	8,185
- Guarantees and assets pledged as collateral security:				
- guarantees	434,941	91,384	55,902	49,532
- Other contingent liabilities	102,158	51,079	91,817	45,782
	<hr/> 541,321	<hr/> 146,685	<hr/> 155,968	<hr/> 103,499
Commitments:				
- Documentary credits and other short term trade-related contingent obligations	11,756	2,351	12,045	2,337
- Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
- less than one year or unconditionally cancellable at any time	1,078,597	-	1,095,182	-
- one year and over	74,186	37,093	75,204	36,153
	<hr/> 1,164,539	<hr/> 39,444	<hr/> 1,182,431	<hr/> 38,490



**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997****33. Memorandum Items (continued)**

Risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the EC 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 £338,430,000, for which there are corresponding obligations by counterparties.

**34. 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 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. Risk control functions in Ulster Bank Markets, where the Group's trading activities are focused, are independent of the trading units and report to the Director of Group Risk. Any change in limit size has to be advised to and approved by the independent risk functions. The introduction of new products is subject to review by representatives from the risk control, internal audit, compliance, finance and operational support functions.

Risk exists principally from the failure of counterparties to meet the terms of their contracts (credit risk) and from movements in interest rates, foreign exchange rates and values of securities (market risk).

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**34. Derivatives (continued)**

**Credit Risk**

The procedures used by the Group to approve derivative credit risks include the establishment of concentration limits by counterparty group, industry, product and country. Sanctioning of a credit limit for a specific counterparty is subject to its overall creditworthiness and is established by independent credit risk departments. To reduce credit risk, the Group utilises a range of credit enhancement techniques, such as netting arrangements, interim cash settlement (where the current value is calculated and settled periodically during the life of the transaction) and collateralisation (where security is provided against exposure). The derivatives portfolio is substantially of investment grade quality, and the Group's credit losses from derivatives have been minimal.

**Market Risk**

Ulster Bank Markets has a well diversified trading portfolio. In managing and quantifying market risk, derivative and non-derivative trading positions are dealt with in the same way. Similarly no distinction is made between the market risk arising from client-driven as opposed to proprietary activity. Ulster Bank Markets measures the market risk associated with its trading activities (irrespective of whether accounted for at fair value or on an accruals basis) by the use of value-at-risk (VAR) models which estimate the potential loss that can occur in a 24 hour period at the 95% confidence level ie, on one trading day in twenty on average. Volatilities and correlations used in the VAR calculation are generally determined from data for two years and are formally reviewed on a regular basis. Management judgement is exercised where it is believed that current conditions do not adequately reflect historical data. A consolidated risk report, which includes market stress tests and summaries of key risk concentrations, is provided regularly to Ulster Bank Markets' executive management and to directors as appropriate. Particular attention is placed on the management of option portfolios where the risk profile may be complex. During 1997, for all trading books carried at fair value, the average daily profit after charging funding costs was £154,000; the maximum loss on any one day did not exceed £441,000. The standard deviation of daily profits was less than £147,000. Average daily VAR for these books (assuming zero correlation between product groups) was £320,000 for the year. Maximum and minimum daily VAR were £561,000 and £175,000 respectively.

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 (GRC) is the sum of the fair values of all contracts with positive value. This measure makes no allowance for netting arrangements.

	1997			1996		
	Exchange rate related £000	Interest rate related £000	Equity & commodity related £000	Exchange rate related £000	Interest rate related £000	Equity & commodity related £000
Principal amounts	9,994,201	19,174,381	30,512	9,884,787	12,418,435	33,410
Gross replacement cost	148,498	86,123	5,524	183,203	68,632	4,193

The GRC 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.

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

**34. 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:

	1997			1996		
	Notional principal amounts £000	Fair Values		Notional principal amounts £000	Fair values	
		Asset £000	Liability £000		Asset £000	Liability £000
<b>Exchange rate related contracts</b>						
Spot, forwards and futures	9,108,278	119,891	136,257	9,194,665	148,743	145,720
Currency swaps	742,164	23,302	13,686	610,634	33,586	4,403
Options purchased	53,746	3,961	—	50,135	873	—
Options written	23,572	—	1,397	—	—	—
	9,927,760	147,154	151,340	9,855,434	183,202	150,123
<b>Interest rate related contracts</b>						
Interest rate swaps	7,300,016	69,507	79,608	5,168,342	64,006	64,806
Options purchased	154,049	1,095	8	114,145	695	—
Options written	286,535	45	2,069	280,262	—	1,959
Futures and forward rate agreements	10,554,675	14,307	15,231	5,942,729	3,931	5,274
	18,295,275	84,954	96,916	11,505,478	68,632	72,039
<b>Equity and commodity related contracts</b>	30,512	5,524	29	33,410	4,193	—
		237,632	248,285		256,027	222,162
<b>Average fair value</b>						
Exchange rate related contracts		179,436	159,317		100,592	86,751
Interest rate related contracts		76,449	76,534		67,385	69,813
Equity and commodity related contracts		5,869	33		3,427	—
		261,754	235,884		171,404	156,564

Averages are calculated from a combination of monthly and quarterly balances. There are no netting arrangements in place at the year end (1996 £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.

**NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997**

**34. 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 £000	2 years or less but over 1 year £000	5 years or less but over 2 years £000	Over 5 years £000	Total £000
<b>Exchange rate related contracts</b>					
Spot, forwards and futures	8,478,273	617,253	12,752	–	9,108,278
Currency swaps	201,378	36,081	396,776	107,929	742,164
Options purchased	29,466	24,280	–	–	53,746
Options written	–	23,572	–	–	23,572
At 31 December 1997	8,709,117	701,186	409,528	107,929	9,927,760
At 31 December 1996	9,148,053	310,687	283,802	112,892	9,855,434
<b>Interest rate related contracts</b>					
Interest rate swaps	2,364,650	1,677,141	2,624,545	633,680	7,300,016
Options purchased	–	92,770	58,996	2,283	154,049
Options written	300	223,483	34,836	27,916	286,535
Futures and forward rate agreements	4,140,271	6,383,581	30,823	–	10,554,675
At 31 December 1997	6,505,221	8,376,975	2,749,200	663,879	18,295,275
At 31 December 1996	5,252,429	3,550,321	2,468,130	234,598	11,505,478
<b>Equity and commodity related contracts</b>					
At 31 December 1997	–	–	25,197	5,315	30,512
At 31 December 1996	–	–	26,019	7,391	33,410

**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, by maturity, of the Group's non-trading derivatives (third party, intra-company and intra-group) were:

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**34. Derivatives** (continued)

	1 year or less £000	2 years or less but over 1 year £000	5 years or less but over 2 years £000	Over 5 years £000	Total £000
<b>Exchange rate related contracts</b>					
Spot, forwards and futures	1,203,171	351,113	–	–	1,554,284
Currency swaps and options	138,191	69,687	144,928	–	352,806
At 31 December 1997	1,341,362	420,800	144,928	–	1,907,090
At 31 December 1996	1,330,450	64,750	44,551	–	1,439,751
<b>Interest rate related contracts</b>					
Interest rate swaps	313,355	174,024	359,901	304,299	1,151,579
Futures and forward rate agreements	888,504	853,542	–	–	1,742,046
Options	16,515	6,896	1,974	–	25,385
At 31 December 1997	1,218,374	1,034,462	361,875	304,299	2,919,010
At 31 December 1996	1,182,544	486,742	302,838	354,576	2,326,700

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

	1997 £000	1996 £000
Exchange rate related contracts	66,441	29,353
Interest rate related contracts	879,105	912,957

The table below shows the weighted average interest rates to be received and paid on the Group's non-trading interest rate swaps:

	1997			1996		
	Notional principal amount £000	Weighted average interest rates		Notional principal amount £000	Weighted average interest rates	
		Receive %	Pay %		Receive %	Pay %
Receive fixed swaps	342,730	8.50	8.31	442,377	7.66	7.31
Pay fixed swaps	808,849	7.08	7.76	1,033,346	6.09	7.70
	1,151,579			1,475,723		



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 34. Derivatives (continued)

Analysis of replacement cost of OTC contracts:

	1997				1996
	1 year or less £000	2 years or less but over 1 year £000	5 years or less but over 2 years £000	Over 5 years £000	Total £000
By remaining maturity:					
Exchange rate related contracts	121,962	12,016	10,736	3,784	148,498
Interest rate related contracts	13,872	24,740	29,132	18,379	86,123
Equity and commodity related contracts	-	-	4,187	1,337	5,524
	135,834	36,756	44,055	23,500	240,145
By counterparty exposure:					
Financial institutions					190,345
Other					49,800
					240,145
					256,028

### Glossary of terms on derivatives

<b>Derivative</b>	A derivative is a contract whose value is derived from an underlying physical or financial commodity.
<b>Fair Value</b>	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 when available. If no quoted price exists for a particular instrument, fair value is determined from market prices for its components using appropriate models.
<b>Forward</b>	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.
<b>Forward foreign exchange contract</b>	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.
<b>Forward rate agreement</b>	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.
<b>Future</b>	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.
<b>Gross replacement cost</b>	This represents the sum of the positive replacement values for a portfolio of trades.
<b>Notional principal amount</b>	The notional principal amount is the amount of the underlying physical or financial commodity on which the derivative contract is based.
<b>Option</b>	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.



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 34. Derivatives (continued)

<b>OTC Contract</b>	An 'over the counter' contract with terms that are specific to customer requirements.
<b>Proprietary trading</b>	Proprietary trading is the deliberate taking of a position in anticipation of price movements rather than to meet customer demand or to hedge position.
<b>Swap</b>	A swap is an agreement to exchange cash flows in the future according to a pre-arranged formula.
<b>Value-at-risk</b>	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.

### 35. General

#### (i) Operating lease commitments

	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Annual commitments under operating leases, which relate solely to property, were as follows:				
Operating leases which expire:				
Within 1 year	389	99	315	15
Between 1 and 5 years	1,259	236	1,251	185
In 5 years or more	9,376	2,444	10,200	2,447
	11,024	2,779	11,766	2,647

#### (ii) Lease and similar finance arrangements

Group amounts financed under finance lease and instalment credit agreements entered into during the year were **£697,856,000** (1996 £590,777,000).

#### (iii) Average number of employees

The average number of persons employed by the Group during the year was as follows:

	1997	1996
Managers	1,300	1,223
Clerical staff	3,221	2,956
Others	133	139
	4,654	4,318

**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**35. General (continued)**

(iv) Assets pledged as security for liabilities

	Amount of Liability Secured			
	1997 Group £000	1997 Bank £000	1996 Group £000	1996 Bank £000
Deposits by Banks	264,440	19,871	390,368	140,960
Customer Accounts	14,831	–	37,787	–
Participation in real time settlements system	172,156	172,156	–	–
	451,427	192,027	428,155	140,960

The secured deposits by banks and customer accounts include amounts of **£259,400,000** (1996 £287,195,000), representing sale and repurchase liabilities.

These liabilities were secured on debt securities held by Group companies with a carrying value of **£47,415,000** (1996 £148,403,000), lendings to banks of **£332,253,000** (1996 £213,733,000) and lendings to customers of **£74,871,000** (1996 £73,462,000).

(v) Litigation

Members 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.

**36. Transactions Involving Directors and Others**

(a) The aggregate amounts outstanding at 31 December 1997 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 £000
Loans	12	12	7,711
Quasi loans	8	8	13
Credit transactions	2	2	366
Guarantees	1	1	1,300

(b) There were no amounts outstanding at 31 December 1997 (1996 £Nil) in respect of loans made to directors by subsidiary undertakings which were not authorised institutions.

(c) The aggregate amounts outstanding at 31 December 1997 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were, managers within the meaning of the Banking Act 1987 during the year relating to loans, quasi loans and credit transactions were:

	Number of managers	Amount £000
Loans	30	1,683
Quasi loans	24	22
Credit transactions	1	17





# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 37. Directors' Interests in Shares

The interests, all beneficial, of those who were directors at 31 December 1997 in the ordinary shares of National Westminster Bank Plc are shown below.

#### Ordinary Shares of £1 each

Share Options (notes a and b)								
	As at 1 January 1997 or date of appointment if later	As at 31 December 1997	As at 1 January 1997 or date of appointment if later	Granted during the year (exercisable between 1999 and 2007)		Exercised during the year		As at 31 December 1997
				Options	Weighted Price (p)	Options	Price (p)	
D F Adair	11,021	13,915	19,540	—	—	13,058	399	36,482
R D Kells	25,762	31,323	63,224	326	634	17,318	503	46,232
I J Laird	15,225	16,203	47,413	10,000	793	-	-	57,413
P M McMahon	9,640	13,316	30,269	12,684	791	5,737	503	37,216
J J McNally	5,467	6,946	35,276	12,360	793	10,202	409	37,434
M J Wilson	5,133	6,049	110,506	16,000	793	-	-	126,506

Sir W G H Quigley and Mr H M V Gray are directors of National Westminster Bank Plc and their interests in the share and loan capital of National Westminster Bank Plc are disclosed in the report of the Remuneration Committee of that company contained in its annual report and accounts for 1997.

#### Notes

- Options outstanding are exercisable at prices between 261p and 793p per share. Options granted under the Executive Share Option Scheme are exercisable subject to the achievement of performance conditions.
- Details of the Share Option Schemes are contained in the financial statements of National Westminster Bank Plc. The middle market price of that Bank's Ordinary Shares of £1 each at 31 December 1997 was 1015p per share and, during the year, the price has ranged from a low of 663p to a high of 1070p.

#### Medium Term Equity Plan

During 1997, certain NatWest Group employees were granted potential awards under the Medium Term Equity Plan. This is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to stretching performance criteria.

As at 31 December 1997 1,411,552 (1996: 1,234,632) shares were held by the independent trustee for the plan and, in the terms of the trust deed setting up the Plan, all employees and directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

#### Qualifying Employee Share Ownership Trust (QUEST)

In October 1997 NatWest Group established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the Group's Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly owned subsidiary of the parent bank.

As at 31 December 1997 1,638,490 ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.



# Ulster Bank Group

## NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1997

### 37. Directors' Interests in Shares

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#### Ordinary Shares of £1 each

	As at 1 January 1997 or date of appointment if later	As at 31 December 1997	As at 1 January 1997 or date of appointment if later	Share Options (notes a and b)				As at 31 December 1997
				Granted during the year (exercisable between 1999 and 2007) Weighted Options	Price (p)	Exercised during the year Options	Price (p)	
D P Adair	11,021	13,915	19,510	–	–	13,058	399	36,482
R O Kells	25,762	34,323	63,224	326	634	17,318	503	46,232
I J Laird	15,225	16,203	17,413	10,000	793	–	–	57,113
P M McMahon	9,610	13,316	30,269	12,684	791	5,737	503	37,216
J J McNally	5,167	6,946	35,276	12,360	793	10,202	409	37,434
M J Wilson	5,133	6,049	110,506	16,000	793	–	–	126,506

Sir W G H Quigley and Mr H M V Gray are directors of National Westminster Bank Plc and their interests in the share and loan capital of National Westminster Bank Plc are disclosed in the report of the Remuneration Committee of that company contained in its annual report and accounts for 1997.

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**NOTES TO THE FINANCIAL STATEMENTS** - *for the year ended 31 December 1997*

**38. Related Party Transactions**

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

(a) Directors and key managers

The aggregate transactions between Ulster Bank Limited and its directors, key managers, their close families and companies which they control were:

	Number of Directors and key managers	Transaction amount £000
<b>Transactions during the year</b>		
Loans made during the year		
– at a commercial rate	3	4,350
– agreed but not drawn down	1	2,000
Leasing		
– at a commercial rate	2	727
Guarantees	1	1,300
<b>Balances outstanding at the end of the year:</b>		
Loans		
– at a commercial rate	14	7,568
– at a preferential rate	9	292
Leasing		
– at a commercial rate	2	366
Credit balances on deposit and current accounts	14	3,319
Guarantees	1	1,300

(b) Other

- (i) Dividend income of £109,000 was receivable by the Group during the year from Metzler Ulster International Finance Ltd, a company in which the group has a 50% joint venture investment. At the year end a balance of £19,000 remained outstanding.
- (ii) Fees of £222,000 for information technology services were paid to Vision Information Consultancy Limited, a company in which the Group has an investment.
- (iii) Fee income of £1,072,000 and £200,000 was earned by the Group during the year in its capacity as a fund manager and fund administrator respectively to pension funds operated by the Group for the benefit of employees. At the year end, amounts receivable in respect of the services were £162,000. Certain administrative expenses of Group pension funds were borne by the Bank.
- (iv) Since 100% of the Bank's voting rights are controlled within the Group of companies of which it is a member, the Bank has taken advantage of the exemption under paragraph 3c of Financial Reporting Standard No.8 not to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

**39. Ultimate Parent Company**

The immediate and ultimate parent holding company, and controlling party, of Ulster Bank Limited and its subsidiary undertakings is National Westminster Bank Plc, a company registered in Great Britain. This company heads the group in which the results of Ulster Bank Limited and its subsidiaries are consolidated. Copies of the parent's consolidated financial statements may be obtained from The Secretary, National Westminster Bank Plc, 41 Lothbury, London, EC2P 2BP.

## **ULSTER BANK MARKETS**



Ulster Bank Markets is the investment banking and capital markets arm of Ulster Bank Group. It is committed to providing the highest quality range of services to institutional and corporate customers throughout Ireland and internationally. The services provided by Ulster Bank Markets include:

- Corporate Banking and Specialised Financial Structures
- Treasury and Capital Markets products
- Investment Management, Custody and Administration
- Corporate Finance and related advisory services
- Stockbroking, Moneybroking and related services
- Offshore financial services.

Our membership of NatWest Group enables us to give our customers access to the financial strength, expertise, product range and geographic reach of one of the world's foremost financial institutions represented in all the major financial centres of Europe, North America and Asia and conducting business in over one hundred countries worldwide.

### **TREASURY AND CAPITAL MARKETS**

Ulster Bank Markets' Treasury Division has long been recognised as a leading participant in the foreign exchange market. The Bank enjoys an international reputation as an active market maker, both spot and forward, in all major currencies.

The Division's many activities include a spot foreign exchange capacity in all tradeable currencies with the ability to execute global orders on a 24 hour basis. We offer our customers a full and comprehensive treasury service which includes Deposits and Certificates of Deposit, Commercial Paper and Forward Rate Agreements.

The Bonds and Derivatives Units provides clients with tailored solutions to their long term interest rate and foreign exchange exposures. It also assists investors to secure yield enhancement with bespoke products to meet with portfolio requirements. The unit also works closely with NatWest in raising competitively priced funding for customers in the international capital markets. State of the art technology maintains the unit at the forefront of market advancements and underpins the ability to generate advanced products for financial risk management by corporate treasurers.

International Trade Services is an integral part of the Treasury and Capital Markets Division, catering for the trade requirements of importers and exporters. Principal services include foreign currency hold accounts, international payments, documentary collections, bonds, guarantees and documentary transactions. The unit's specialist expertise in Trade Finance enables clients to access in-depth knowledge of overseas markets and expert guidance in selecting the most appropriate financing mechanism for foreign transactions.

The Treasury Division's operations are underpinned by Ulster Bank's strong credit rating from Standard & Poors, Long Term AA- and Short Term A1+.

#### **Contact:**

Declan O'Neill - Group Treasurer

## ULSTER BANK MARKETS

### *Dublin*

Brian Brady  
– Director of  
Corporate Treasury  
Jim Fox  
– Director of Bonds and Derivatives  
Michael Griffin  
– Director of Interbank Trading

### *Belfast*

Raymond Hastie  
– Head of Group  
Treasury Belfast

### *International Trade Services*

Joe Caulfield  
– Head of ITS

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Ulster Bank Group Centre

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## INVESTMENT DIVISION

### **Fund Management**

Established in 1980, Ulster Bank Investment Managers Ltd (UBIM) manages assets in excess of IR£3.5Bn, and is one of Ireland's leading investment management companies. Superior investment performance over the long term relative to competition remains the hallmark of UBIM's success. Our performance record is a function of a consistent and focused approach to the management of investment portfolios.

UBIM offers a full range of investment management services to a broad spread of institutional and personal customers.

- Balanced Mandates for Pension Funds
  - Segregated
  - Unitised
- Actively Managed Bond Portfolio for Corporates
  - Segregated
  - 'Corporate Choice'
- Balanced Mandates for Charities Religious Bodies
  - Segregated
  - Unitised
- Segregated Mandates and a range of Investment Products for Private Clients and High Net Worth Investors.

### **Administration, Custodial and Trustee Services**

Ulster Bank Investment Services Ltd (UBIS), provides a comprehensive range of Custodial, Trustee and Fund Administration services to collective investment schemes including schemes operating out of Ireland's International Financial Services Centre. The success of Dublin as a centre for the administration of international Mutual Funds has enabled UBIS to grow its funds under custody to IR£7.9Bn, and funds under administration to IR£2.3Bn. International clients include fund sponsors from the US, Europe and the Far East.

Administration services include shareholder recording, corporate actions, net asset value calculation and fund accounting. Key strengths which enable UBIS to provide the highest standards of service to its clients include:

## ULSTER BANK MARKETS

- Experienced Staff – UBIS acts as a fund administrator for NatWest Group and third party funds and has established service teams with considerable depth of experience
- Modern Systems – Sophisticated, internationally recognised multi-currency computer systems are employed to meet the varying needs of UBIS' clients. These systems generate reports and accounts to suit the legal and taxation requirements of international authorities
- Flexibility – As part of one of the leading financial institutions in the world, with a presence in all major financial markets, UBIS is in a position to provide off-shore fund managers with unique structures designed to meet their specific needs.

### Contact:

Gavin Caldwell  
 – Head of Investment Division  
 Frank Close  
 – Head of Institutional Business  
 David Conway  
 – Head of Retail and International  
 Sean Hawkshaw  
 – Chief Operating Officer  
 Michael Boyce  
 – Head of Ulster Bank Investment Services  
 Noel O'Halloran  
 – Head of Equities  
 Anthony Linehan  
 – Head of Bonds

Ulster Bank Investment Managers Ltd	Ulster Bank Investment Services Ltd
Ulster Bank Group Centre	Ulster Bank Group Centre
George's Quay	George's Quay
Dublin 2	Dublin 2
Telephone (01) 6084000	Telephone (01) 6084000

Ulster Bank Investment Managers Ltd is authorised by the Central Bank of Ireland and Bonded in accordance with the Investment Intermediaries Act 1995.

Ulster Bank Investment Services Ltd is authorised by the Central Bank of Ireland.

## CORPORATE BANKING AND SPECIALISED FINANCE

### CORPORATE BANKING

The Corporate Banking Division of Ulster Bank Markets is focused on helping existing and new customers with their larger or more complex funding requirements. The Division operates through teams of experienced executives based in both Dublin and Belfast specialising in each major industry sector.

## ULSTER BANK MARKETS

Each of our customers has a dedicated relationship manager within the relevant industry sector. The role of the relationship manager is to acquire the insight and market knowledge necessary to understand our customers' businesses and to devote the time, energy and expertise necessary to facilitate them to innovatively finance their business objectives.

We also have a particular commitment to companies investing in Ireland for the first time. Our dedicated inward investment team concentrates exclusively on providing all of the local banking requirements of overseas companies locating to Ireland.

Among the suite of products and services Corporate Banking offer are:

- Customised short, medium and long-term debt facilities (including leasing) designed to fit each customer's anticipated cash flows
- Creatively structured debt to finance leveraged purchases, management buy-outs and management buy-ins
- Leading and arranging syndicated loans and the delivery of a debt private placement capability in Ireland, the United States and the United Kingdom
- Provision of bid notes, performance bonds, payment guarantees and other contingent instruments.

### Contact:

#### **Dublin**

Tony McArdle

– Head of Corporate Banking and Specialised Finance

Joe Molloy

– Sales Director, Corporate Banking and Specialised Finance

David Pierce

– Head of Inward Investment

#### **Dublin**

Andrew Blair

– Director of Ulster Bank Markets

Pat Gaynor

– Director of Ulster Bank Markets

#### **Belfast**

Alan Stewart

– Head of Corporate Banking, Belfast

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Ulster Bank Markets Limited

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## SPECIALISED FINANCE

Operating through Ulster International Finance ("UIF"), Ulster Bank Markets has one of the largest specialised finance teams in Ireland. Based in the International Financial Services Centre in Dublin, UIF operates in a worldwide marketplace. Primarily it is engaged in a wide range of international financing activities, including international lending, leasing and treasury management.

UIF is particularly active in the United Kingdom, North American, German, Italian, South African and Asia Pacific markets. During the year UIF continued

## **ULSTER BANK MARKETS**

to develop its international lending business with particular emphasis on more innovative and structured financing transactions. Deals concluded during the year included participations in international loan syndications.

As part of a large domestic bank, UIF combines a powerful local presence with the international reach of our ultimate parent, NatWest.

**Contact:** Michael Drew  
– Chief Executive of Ulster International Finance  
David McNeice  
– Assistant Director of Ulster International Finance  
Gerard Prendergast  
– Assistant Director of Ulster International Finance  
  
Ulster International Finance  
IFSC House  
IFSC  
Dublin 1  
Telephone (01) 6700700  
Fax (01) 7025672

### **ULSTER BANK (ISLE OF MAN) LIMITED**

Ulster Bank (Isle of Man) Limited operates within the Corporate Banking and Specialised Division of Ulster Bank Markets and is a wholly owned subsidiary of Ulster Bank Limited. It provides a range of off-shore banking services.

As well as providing a suite of investment products it also provides complementary services such as share dealing and execution, foreign exchange and trust administration services, either directly or through the other members of NatWest Group based on the Isle of Man.

**Contact:** Gerard Brown  
– Chief Executive  
  
Ulster Bank (Isle of Man) Limited  
45 Victoria Street  
Douglas  
Isle of Man IM1 2UB  
Telephone (01624) 672211  
Fax (01624) 661276

Ulster Bank (Isle of Man) Limited is registered with the Isle of Man Financial Supervision Commission for Banking and Investment Business.

### **NCB GROUP**

NCB Group is a wholly owned part of Ulster Bank Markets and provides stockbroking, moneybroking, corporate finance and other specialised services. The Group occupies a leading position in Ireland in the markets in which it operates, a position further enhanced by its membership of Ulster Bank and NatWest Groups.

NCB Stockbrokers is a market leader in stockbroking in Ireland, pre-eminent in Irish equity and bond trading and with a growing presence in the private client market. NCB is a member of the stock exchange and is a Primary Dealer in Irish Government Bonds.



## **ULSTER BANK MARKETS**

### **Bond Division**

NCB's bond team has developed a strong domestic and international franchise in Irish Government Bonds. The Group has also been active in the corporate bond market in Ireland and in the provision of advice on debt financing options on a national and supernational basis. Complementing its domestic market expertise, NCB has also developed a leading position in international futures markets and non-Irish bonds.

### **Equity Division**

At a time when Irish institutions have been diversifying their portfolios to include a significant international weighting, foreign investors have acquired a strategic presence in the Irish equity market. NCB's equity team has been to the forefront of these initiatives. It has also worked closely with the senior management of Irish publicly quoted companies in mirroring the internationalisation of their operations within their shareholder base.

Underpinning NCB's overall strength in equities is a formidable reputation for research, a position further enhanced by the quality of the Group's dealing team.

### **Private Clients**

A comprehensive range of services is provided to the personal investor. Apart from traditional stockbroking services such as executionary, advisory and discretionary share dealing, NCB's Private Clients Division also advises on on-shore and off-shore unit funds, tax-driven investment products and the cash alternatives.

### **Investment Funds Listing**

NCB has been instrumental in the development of a thriving International Financial Services Centre in Dublin and is the leading Irish broker in terms of the listing of investment funds on the Irish Stock Exchange.

### **Moneybroking**

NCB Moneybrokers is a leading player in the Irish interbank market with a strong presence in the Irish pound, forward foreign exchange and eurocurrency markets in all major currencies. Direct dealing lines to the principal broking houses in London and New York enable NCB to provide a quality price and information service to clients.

### **Contact:**

Padraic O'Connor  
– Managing Director of NCB Group  
Jonathan Westrup  
– Head of Fixed Income  
John Conroy  
– Head of Equities  
John Keilthy  
– Head of Private Clients Division  
Marion Dempsey  
– Director of Investment Funds  
Mark Dawson  
– Managing Director of Moneybroking

**ULSTER BANK MARKETS**

NCB Group Limited  
3 George's Dock  
IFSC  
Dublin 1  
Telephone (01) 6115611  
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**NCB CORPORATE FINANCE**

NCB Corporate Finance is the Corporate Finance Division of Ulster Bank Group on the island of Ireland with offices in Dublin and Belfast. It has significant market shares in its chosen markets. The Division's acknowledged expertise spans the full range of corporate advisory services.

*Corporate Advisory*

Advice to public and private entities on:

- Flotations
- Mergers
- Acquisitions
- Disposals
- Fundraising
- Private Finance Initiative
- Restructuring
- Stock Exchange Takeover Code Compliance
- Strategic reviews.

*Corporate Stockbroking*

The Corporate Finance component of the service provided by NCB Stockbrokers to the companies to which it is stockbroker.

*Underwriting*

Underwriting of fund raising through debt or equity.

NCB Corporate Finance has built its reputation on identifying and initiating solutions to challenging Corporate Finance briefs. Its clients list includes Irish and international private and public companies, state agencies and departments of Government.

Through its connections with NatWest Markets Corporate Advisory in London and Gleacher NatWest in the US, it has a domestic strength and global reach which is unmatched by any of its domestic competitors.

**Contact:*****Dublin***

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NCB Corporate Finance Limited  
3 George's Dock  
International Financial Services Centre  
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Telephone (01) 6115611

***Belfast***

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Telephone (01232) 897777



## **DIRECTORS AND EXECUTIVES**

### **Chairman**

Sir George Quigley, CB

### **Directors**

David Franklin Adair • James Robert Gallagher  
Hamish Martin Vincent Gray (appointed 1 March 1997)  
Ronald David Kells • Ivan James Laird  
Peter Halliday McKie, CBE (appointed 17 April 1997)  
Patrick Michael McMahon • John Joseph McNally •  
Robert William Roy McNulty, CBE • William Patrick O'Kane, OBE  
Martin Rafferty • Martin Joseph Wilson

### **Audit and Compliance Committee**

J R Gallagher, Chairman  
R W R McNulty, CBE • P H McKie, CBE • W P O'Kane, OBE

### **Group Chief Executive**

R D Kells

### **Deputy Group Chief Executive**

M J Wilson

### **Divisional Heads**

J J McNally	<i>Retail</i>
P M McMahon	<i>Markets</i>
D F Adair	<i>Group Operations</i>
S J Daniels	<i>Group Human Resources</i>
I J Laird	<i>Group Financial Control</i>
Oliver Lynas	<i>Group Audit &amp; Compliance</i>
T C Reid	<i>Group Risk</i>

### **Secretary**

D J Peacock

### **Head Office**

47 Donegall Place, Belfast BT1 5AU

### **Chief Office Republic of Ireland**

33 College Green, Dublin 2

## **SUBSIDIARY UNDERTAKINGS**

### **JCB Credit Limited**

The Mill, Rocester, Staffordshire ST14 5JW

*D.J. Burgess, Managing Director*

### **Lombard & Ulster Limited**

40 Linenhall Street, Belfast BT2 8DF

*G.J. Simms, Chief Executive*

### **Lombard & Ulster Banking Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*Bernard Kingston, Chief Executive*

### **NCB Group Limited**

George's Dock 3, International Financial Services Centre, Dublin 1

*Padraic O'Connor, Managing Director*

### **Ulster Bank Commercial Services Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*W.J. Glynn, Chief Executive*

### **Ulster Bank Commercial Services (NI) Limited**

11 Donegall Square South, Belfast BT1 5PH

*D.F. Moynihan, Managing Director*

### **Ulster Bank Dublin Trust Company**

33 College Green, Dublin 2

*M.F. Daly, Manager*

### **Ulster Bank (Isle of Man) Limited**

45 Victoria Street, Douglas, Isle of Man

*Gerard Brown, Chief Executive*

### **Ulster Bank Markets Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*P.M. McMahon, Chief Executive*

### **Ulster International Finance**

PO Box 3255, IFSC House, International Financial Services Centre,  
Dublin 1

*Michael Drew, Chief Executive*

**SUBSIDIARY UNDERTAKINGS****UIF Finance Company**

PO Box 3255, IFSC House, International Financial Services Centre,  
Dublin 1

*Michael Drew, Chief Executive*

**Ulster International Finance & Commercial Services Company**

47 Donegall Place, Belfast BT1 5AU

*Michael Drew, Director*

**Ulster Bank Investment Managers Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*G R Caldwell, Director*

**Ulster Bank Custodial Services**

Ulster Bank Group Centre, George's Quay, Dublin 2

*M J Boyce, Director*

**Ulster Bank Investment Services Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*F J Close, Director*

**Ulster Bank Ireland Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*J E Crawley, Director*

**Ulster Bank Ireland GSF Limited**

Ulster Bank Group Centre, George's Quay, Dublin 2

*Noel Ryan, Director*

**Ulster Bank Group Treasury (International) Limited**

PO Box 3255, IFSC House, International Financial Services Centre,  
Dublin 1

*D J O'Neill, Chief Executive*

**Ulster Bank Finance Plc**

Ulster Bank Group Centre, George's Quay, Dublin 2

*J E Crawley, Director*

**Ulster Investment Services Limited**

47 Donegall Place, Belfast BT1 5AU

*I J Laird, Director*

## REGIONAL DIRECTORS

**Northern Region**  
Albert Wilson

**Southern Region**  
Richard Boucher

## AREA DIRECTORS

**Northern Region**  
City R J H Price  
North W F Caldwell  
South J T E B Balmer

**Southern Region**  
City P J O'Neill  
Midlands & West D J McArdle  
South K M Gallen

## OFFICES

Antrim  
Ardara  
Ardee  
Armagh  
Arva  
Athboy  
Athenry  
Athlone  
Athy  
Aughnacloy  
Ballina  
Ballinrobe  
Ballybofey  
Ballycastle  
Ballyclare  
Ballyconnell  
Ballyhaunis  
Ballyjamesduff  
Ballymena,  
Wellington Street  
Ballymena, Harryville  
Ballymoney  
Ballymore  
Ballynahinch  
Banbridge  
Bangor, Main Street  
Bangor, Springhill

### **Belfast**

Andersonstown

Antrim Road  
Boucher Road  
Carlisle Circus  
Carryduff  
Connswater  
Crumlin Road  
Donegall Place  
Dundonald  
Dunmurry  
Finaghy  
King's Road  
Knock  
Lisburn Road  
Lombard Street  
Markets  
Newtownbreda  
Ormeau Road  
Shaftesbury Square  
Shankill Road  
University Road  
Waring Street  
Woodstock Road  
York Street

Belmullet  
Belturbet  
Blessington  
Buncrana  
Carlow  
Carrickfergus

Carrickmacross  
Castlebar  
Castleblayney  
Castlederg  
Castlepollard  
Castletroy  
Castlereagh  
Castlewellsan  
Cavan  
Celbridge  
Clane  
Claremorris  
Clogher  
Clones  
Clonmel  
Coleraine  
Comber  
Cookstown  
Cootehill  
Cork, Patrick Street  
Cork, South Mall  
Cork, Wilton  
Crumlin  
Donaghadee  
Donegal  
Downpatrick  
Draperstown  
Drogheda  
Dromore, Co Down  
Dromore, Co Tyrone



*Randalstown*



## OFFICES

### Dublin

Baggot Street  
 Ballsbridge  
 Blackrock  
 Blanchardstown  
 Bray  
 Camden Street  
 Clondalkin  
 College Green  
 Coolock  
 Dalkey  
 Dawson Street  
 Donnybrook  
 Dorset Street  
 Dublin Airport  
 Dundrum  
 Dun Laoghaire Centre  
 Dun Laoghaire,  
 Rochestown Avenue  
 Lucan  
 Malahide  
 O'Connell Street  
 Palmerstown  
 Phibsborough  
 Ranelagh  
 Swords  
 Tallaght  
 Terenure  
 Walkinstown Cross

Dundalk  
 Dungannon  
 Dungiven  
 Edenderry  
 Edgeworthstown  
 Ennis  
 Enniscorthy  
 Enniskillen,  
 Darling Street  
 Enniskillen, Markets  
 Ferbane  
 Galway, Eyre Square  
 Galway, Newcastle

Galway, Tuam Road  
 Garvagh  
 Glenamaddy  
 Glengormley  
 Gorey  
 Gortin  
 Granard  
 Hillsborough  
 Hollywood  
 Irvinestown  
 Jordanstown,  
 University of Ulster  
 Kilcock  
 Kilkenny  
 Killarney  
 Killeshandra  
 Killybegs  
 Killyleagh  
 Kilnaleck  
 Kircubbin  
 Larne  
 Letterkenny  
 Lifford  
 Limavady  
 Limerick,  
 95 O'Connell Street  
 Limerick, Croom  
 Limerick, Dooradoyle  
 Lisburn, Bow Street  
 Lisburn,  
 Longstone Street  
 Lisnaskea  
 Londonderry,  
 Strand Road  
 Londonderry,  
 Waterloo Place  
 Londonderry,  
 Waterside  
 Longford  
 Lurgan  
 Maghera  
 Magherafelt  
 Mallow

Manorhamilton  
 Maynooth  
 Moira  
 Monaghan  
 Monkstown  
 Moville  
 Mullingar  
 Naas  
 Navan  
 Nenagh  
 Newbridge  
 Newcastle  
 Newry  
 Newtownabbey  
 Newtownards  
 Newtownhamilton  
 Omagh  
 Portadown, High Street  
 Portadown,  
 Borough Place East  
 Portlaoise  
 Portrush  
 Portstewart  
 Randalstown  
 Raphoe  
 Rathfriland  
 Roscommon  
 Shannon Town Centre  
 Sligo, Stephen Street  
 Sligo, Pearse Road  
 Stewartstown  
 Strabane  
 Tandragee  
 Thurles  
 Tralee  
 Trim  
 Tuam  
 Tullamore  
 Warrenpoint  
 Waterford  
 Westport  
 Wexford



Roscommon