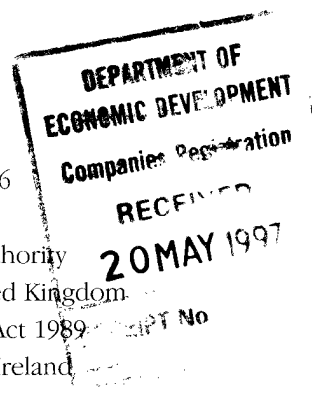




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Annual Report and Financial Statements 1996

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



REVIEW OF 1996

'More than just a bank'

RESULTS

Profit before tax increased by 13% on last year to £135.8M. This is a first class result, reflecting continuing, steady, consistent performance over many years, and is once again a record profit for the Group.

All businesses contributed improved performances reflecting Ulster Bank's vigorous thrust in a buoyant yet highly competitive market. Our experience demonstrates that the market responds to a provider of financial services who takes the customer seriously and is constantly adapting in the interests of meeting the customer's total needs more effectively.

Income rose by 10% to £350M, with net interest income recording growth of 8% as a result of buoyant loan growth. Customer lending, at £4,130M, was 13% higher than last year, with good increases across all of the lending businesses. Other income grew by 16% to £121.4M, demonstrating sustained development in the Group's service-orientated businesses.

Costs, at £206.5M, were 8% higher as a result of higher administration expenses and depreciation. These increases reflect investment in people and the infrastructure to carry the business forward and to ensure its constant development.

Bad debts rose by £2.7M to £7.7M as a result of a higher general provision. Overall, bad debts remain at historically low levels.

The Cost Income Ratio – the generally accepted measure of a bank's efficiency of operation – fell from 60.51% to 58.90%. At this level it compares favourably with financial conglomerate banking businesses in Ireland and the United Kingdom.

ECONOMIC ENVIRONMENT

Republic of Ireland

The Irish economy is estimated to have grown by 7% in 1996, the third consecutive year of growth in excess of 5%. Judged by European and

REVIEW OF 1996

world standards, this is a remarkable achievement. Key economic indicators such as industrial production, retail sales, exports, and new car sales have all shown strong year-on-year gains. The strength of the economy reflects low interest rates, reasonable world economic growth, and the success of the Irish Development Association over a long period in attracting inward investment, aided by the low tax rate on manufacturing and internationally traded services and a favourable environment for investment.

At this stage, it is likely that growth will continue quite strongly into 1997 as the international economy continues to be reasonably firm. At around 5.75% on the interbank market, Irish interest rates remain as low as they have been for a number of years. Fiscal policy continues to boost the economy, as government spending increases at a rate in excess of inflation.

The key to the prospects for interest rates is the likely behaviour of inflation. Inflation has been restrained over the last few years and remained below 2% last year despite the strength of the economy. Much depends on whether the Irish Pound continues to fall against Sterling, given that more than half of consumer goods imports to Ireland come from the UK. The changes in indirect taxes in the Budget could be expected to increase inflation but the recent agreement on the successor to the Programme for Competitiveness and Work (PCW), which reflects the continued success of the process of consensual macro-economic management, should help to restrain the type of upward pressures that might normally be expected after a period of strong economic growth. The area of the economy most susceptible to inflationary pressure is property, where it is important that asset values should not reach unsustainably high levels.

All the signs are that, overall, Ireland will remain in the front rank of countries qualifying for entry to the Single Currency on a straightforward interpretation of the Maastricht criteria.

Northern Ireland

During 1996, the recovery in the Northern Ireland economy continued, although there was some slackening of momentum. The performance of the economy was impacted by the BSE problem in the agricultural sector (which has, of course, consequences well beyond that sector itself) and

REVIEW OF 1996

slower growth in traditional European export markets. This was reflected particularly in a flattening of the statistics for manufacturing output growth, which showed an increase of 0.3% in 1996, against increases of 4.2% in 1995 and 7.2% in 1994. Northern Ireland, which provides 28% of the UK's beef exports, was hard hit by the ongoing European Union's ban on such exports. The case for lifting of the ban in respect of Northern Ireland is strong and further delay can only give rise to problems for the economy which it may prove extremely costly to remedy.

New foreign investment registered a 60% increase over 1995, while unemployment fell to a ten-year low of 10.7%. The strong performance of the British economy will help the prospects for Northern Ireland in 1997, with benefits in terms of higher personal incomes and spending. In addition, projects financed by EU Structural Funds continue to come on stream – this funding totals almost Stg£1.8 billion over the period 1996–2000.

Northern Ireland's export performance has been remarkably buoyant in recent years – outstripping the UK overall. Building on these excellent foundations, accelerated private sector growth is vital if the region is to enhance its position in the UK's regional league table and tackle successfully the problem of long-term unemployment. Such acceleration is all the more necessary to offset the constraint on growth which will result from a very tight public expenditure settlement in respect of 1997/98.

Political developments in Northern Ireland have significant economic consequences. While the tourist industry enjoyed a boom year in 1995 and developed expansion plans to cope with an upsurge in tourist numbers, 1996 witnessed a 10% decline in tourist traffic. Nothing could secure a permanent improvement in prospects throughout the economy so much as the speedy achievement of the peace and stability which generate high levels of business confidence.

DIVISIONAL PERFORMANCES

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, Insurance Services, Investment and Trustee Services.

REVIEW OF 1996

Ulster Bank Retail performed exceptionally well during the year, and produced a profit of £81.1M, an increase of 17% over 1995, with strong contributions in both parts of the island from every area of the Division.

In Ulster Bank Retail branch profitability improved principally as a result of good growth in lending, current accounts, and deposits.

Our card business achieved record profits, the Air Miles™ offer in Northern Ireland on our credit cards proving very attractive in winning new customers and encouraging existing card holders to increase their card usage.

Mortgage lending grew by 11% in Northern Ireland and by an underlying 18% in the Republic of Ireland, which substantially improved the contribution made by both mortgage businesses to Group profits.

Excellent profits were also achieved in our insurance business, growth being particularly strong in the Republic of Ireland. Our tie to NatWest Life in Northern Ireland from April was implemented successfully and our range of products has proved attractive to customers.

1996 was a particularly good year for instalment credit and leasing, with the Lombard and Ulster companies enjoying good results in both Northern Ireland and the Republic of Ireland.

The Ulster Bank Commercial Services companies, which provide invoice discounting facilities, similarly enjoyed a record year.

Ulster Bank Markets provides a comprehensive range of financial products and services to corporate and international customers. The range of services includes treasury and currency products through the International Financial Services Centre in Dublin, fund administration and management, local and international corporate lending, stockbroking and corporate finance.

Ulster Bank Markets continued to produce outstanding results, with all areas contributing significantly to profits which at £54.7M were up 8% over 1995.

Ulster Bank Markets has a firm competitive advantage in its ability to deliver complex financial products, drawing as necessary on expertise within the NatWest Group as a whole.

REVIEW OF 1996

Investment funds under management with Ulster Bank Investment Managers increased by 32% to £2.6 billion during the year. The company won a large number of high profile, new pension fund management mandates.

Ulster Bank Group Initiatives

There were a number of highlights during the year, exemplifying the initiative and innovation which characterise the Group's approach on a very broad front:

We installed 34 new automated teller machines in 1996, bringing the total to 314. These machines handled some 21 million customer transactions, handing out around £1 billion in cash.

The opening of three new offices this year took our total network across the island to over 200 for the first time. We now have 90 branches in Northern Ireland and 111 in the Republic of Ireland as well as part-time branches and mobile units. In the past six years the number of branches in the Republic of Ireland has increased by some 30%.

During the year we piloted new ways of organising the delivery of services to our commercial customers (particularly SME's) and the successful arrangements will be progressively rolled out to the whole branch network as quickly as possible. We also focused more sharply on the needs of business by holding a number of very successful seminars for business owners/managers. Seminar topics included 'Win at your Business', 'Keeping it in the Family – The Hidden Business Challenges' and 'Starting your own Business'. A video for start-up and growing businesses was also launched.

In 1996 we held a series of seminars which provided advice to businesses preparing for the possibility of Economic and Monetary Union.

Ulster Bank was awarded the Quality Mark for the 6th year in succession by the Irish Quality Association. This award recognises our commitment to excellence in all aspects of customer services, ranging from product design to dealing with customers' complaints.

In 1996 Ulster Bank became the first Irish bank to introduce a Visa Purchasing card. Companies can use the card to cut their costs when settling low-value bills compared to traditional forms of payment.

REVIEW OF 1996

Ulster Bank joined forces with other main banks to launch the Laser debit card in Republic of Ireland. These cards offer a convenient alternative to cheques and cash. In Northern Ireland we are part of the Switch debit card scheme. Despite the short time in operation in Ireland debit card usage is growing rapidly.

We are leading the field in the emerging use of the Internet. Ulster Bank is the only bank in Ireland to provide up-to-the minute foreign currency market rates over the Internet. Located on Ulster Bank's web site at <http://www.ulsterbank.com>, information provided includes spot and forward foreign exchange rates against the Irish Pound, cross rates for major currencies as well as domestic and international economic commentary.

Ulster Bank worked closely with NatWest Markets in New York to raise some \$500 million from the US capital markets for major Irish businesses wishing to raise funds in the world's largest financial market.

A Group Purchasing team was recruited to exploit the purchasing power of the Group when major contracts are awarded. Substantial savings have already been achieved.

A new staff communication programme was launched under the banner 'Towards 2000'. The business has committed to keep all Group staff fully informed of changes affecting them and to involve them in building a strategy for the future which is sufficiently robust to enable the Group to retain competitive edge in an increasingly challenging environment.

JCB Credit became the first part of the Ulster Bank Group to achieve the prestigious UK Investors in People accreditation. Investors in People encourages excellence in the field of staff development and creates a culture of continuous improvement, providing a framework for enhancing business performance and competitiveness. Major resource is being committed to ensure that Group-wide accreditation is achieved by the end of 1997.

During the year an Ulster Bank Group Environmental Committee was formed to increase our attention on the environmental impacts of our business. In 1996 we supported the Prince's Trust Youth Community Award which was aimed at young people in the age group 15-24 working on projects with an environmental theme.

REVIEW OF 1996

We continued to contribute significantly to the local community throughout the island by supporting a variety of economic development and cultural projects as well as a range of sporting activities. We regard it as a clear responsibility of a profitable organisation like our own to reinforce the worthwhile activities of a range of charitable organisations.

At the end of September we adopted a new major advertising campaign 'More than just a bank'. This was more than just a slogan. It emphasises the breadth of expertise which we can offer our customers. In effect we have become a one-stop financial services emporium which can cater comprehensively for customers' lifetime needs for financial products and services right across the board.

Staff

The Group's performance reflects the dedication and commitment of our staff at all levels. We constantly seek to provide an environment which encourages them to give of their best and we thank them once again for their contribution which, by creating a strong institution, helps to secure their own futures.

The Future

The Ulster Bank Group is building on its market share, particularly by strengthening its position in the Republic of Ireland. Based on our 'More than just a bank' theme, plans for the future include the growth of our retail presence in the Republic of Ireland, either organically or by acquisition, and innovative product development which stems from close attention to our customers' expectations.

Care for customers is the distinguishing characteristic of a successful business and the effectiveness of everything which it does to enhance its capability and competence must be judged by what it contributes to the relationship with customers. Our constant aim, therefore, is to treat each customer as a market in his or her own right, entitled to a value for money, efficient, professional, friendly service which adds to a transaction the kind of worth the customer wants. There is no other route to success in a future which promises to be even more intensely competitive, with established players intent on increasing market penetration and new players in search of profitable market niches.

REVIEW OF 1996

The Ulster Bank Group is well placed and fully prepared to meet these challenges and to maintain, for our customers, a first class service – which adapts to their changing needs.



Sir George Quigley
Chairman

R D Kells
Group Chief Executive

Belfast
6 February 1997

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 ECU 20,000 for United Kingdom members and ECU 15,000 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 1996.

Results

The Group profit before taxation was £135.8M compared to £120.1M for the previous year.

The taxation charge was £41.3M (1995 – £30.6M) leaving a Group profit of £94.5M (1995 – £89.5M) available to ordinary shareholders, after deducting minority interests. This has been dealt with in the consolidated profit and loss account on page 20.

The Directors recommend a final ordinary dividend of £16M, which together with the interim dividend of £10M represents an increase of 8% on the 1995 figure of £24M. 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 1996, 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. There were no changes in the directorate during the year.

The Directors retiring by rotation at the Annual General Meeting, in accordance with the Articles of Association, will be Mr W P O'Kane and Mr J R Gallagher. Both intend to offer themselves for re-election.

Directors' interests

A table showing the interests of Directors in the Ordinary shares of National Westminster Bank Plc is shown in note 36 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 1,318. Of those 2,075 worked wholly or mainly in the United Kingdom and the remuneration paid or payable to them was £47.8M.

Fixed Assets

The Group's freehold and long leasehold properties were valued during the year by professional valuers on the basis of open market value for existing use, as defined in the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors, and show a surplus of £3.166M over book value. This amount has been transferred to the Revaluation Reserve and the book values of these properties adjusted accordingly.

The movements in fixed assets have been summarised in note 20 to the financial statements.

REPORT OF THE DIRECTORS

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.

Equal Opportunity

Ulster Bank is an Equal Opportunity Employer and has issued an Equal Opportunity Policy Statement to underline its commitment in this area. The Bank continues to support the principles of Opportunity 2000 with a view to promoting the participation of women in business, and its Performance Appraisal Scheme embraces the objectives of the Bank's Equal Opportunity Policy to ensure that career advancement is based solely on merit.

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 the Irish Quality Association.

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 receipt of a valid invoice.

Contributions

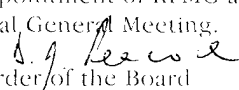
During the year the Group made donations totalling £204,813 to charitable organisations in the United Kingdom.

Directors' and Officers' Liability Insurance

A Directors' and Officers' liability policy is in force in respect of Ulster Bank Group.

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

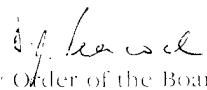
47 Donegall Place
Belfast
BT1 5AU

6 February 1997

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, 4th Donegall Place, Belfast on Thursday 1st April 1997 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 1996.
- 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
Mr W P O'Kane and Mr J R Gallagher retire from the Board pursuant to Article 88, and being eligible, offer themselves for re-election.
- 5** To pass the following as Special Resolutions:
 - (i) "That the objects clause contained in the printed documents submitted to the meeting, and for the purposes of identification signed by the Chairman, shall be adopted as the objects of Ulster Bank Limited in substitution for and to the total exclusion of the existing objects in the Memorandum of Association of Ulster Bank Limited."
 - (ii) "That the regulations contained in the printed documents submitted to the meeting, and for the purposes of identification signed by the Chairman, shall be adopted as the Articles of Association of Ulster Bank Limited in substitution for and to the total exclusion of the existing Articles of Association of Ulster Bank Limited."


By Order of the Board
D J Peacock
Secretary

4th Donegall Place
Belfast
BT1 5AU

6 February 1997

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 profit for that financial year.

The Directors confirm that the financial statements set out on pages 20 to 54 have been prepared on the going concern basis and consider that, in preparing these financial statements, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy 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
- 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 plan which covers five years and a two year operational plan are prepared annually. Financial reports are presented to the Board regularly detailing the results, variances on plan and other performance data.

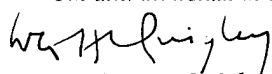
The system of internal financial control is subject to scrutiny by management and internal audit. The Audit and Compliance Committee of the Board, all of whose members are non-executive directors, meets periodically with internal audit to discuss the nature, scope and results of its work. This Committee has reviewed the effectiveness of the Group's system of internal financial controls that operated during 1996.

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.

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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

6 February 1997

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 the affairs of the Bank and the Group as at 31 December 1996 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

6 February 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT - *for the year ended 31 December 1996*

	Notes	1996 £000	1995 £000
Interest receivable:			
– interest receivable and similar income			
arising from debt securities		63,707	65,939
– other interest receivable and similar income		470,394	445,981
Interest payable		(305,484)	(300,142)
Net interest income		228,617	211,778
Dividend income from equity shares		302	120
Fees and commissions receivable		86,234	77,775
Fees and commissions payable		(14,334)	(16,220)
Dealing profits		45,568	41,274
Other operating income		3,615	2,060
Operating income		350,002	316,787
Administrative expenses	3	(167,232)	(155,327)
Depreciation and amortisation	20	(19,339)	(16,766)
Other operating charges		(19,935)	(19,601)
Provisions for bad and doubtful debts	15	(7,708)	(4,876)
Amounts written off fixed asset investments	4	–	(116)
Operating expenditure		(214,214)	(196,686)
Operating profit on ordinary activities before tax	5	135,788	120,101
Tax on profit on ordinary activities	–	(41,284)	(30,607)
Profit on ordinary activities after tax		94,504	89,494
Minority interests – equity		(966)	(1,184)
Profit for the financial year	8	93,538	88,310
Dividends on equity shares	9	(26,000)	(24,000)
Retained profit for the year	29	67,538	64,310

All items dealt with in arriving at operating profit for 1996 and 1995 relate to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

relating to the year ended 31 December 1996

	1996 £000	1995 £000
Profit for the financial year	93,538	88,310
Other recognised gains (losses)		
– unrealised surplus on revaluation of properties	3,166	91
– exchange rate translation differences	(11,703)	7,050
– other	–	741
	(8,537)	7,882
Total recognised gains	85,001	96,192

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1996

In 1996 and 1995, 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.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1996

	Note	1996 £000	1995 £000
Retention for the year		67,538	64,310
Other recognised gains/(losses)		(8,537)	7,882
Goodwill written back	29	2,132	–
Net increase in shareholders' funds		61,133	72,192
Opening shareholders' funds – equity interests		431,819	359,627
Closing shareholders' funds – equity interests		492,952	431,819

CONSOLIDATED BALANCE SHEET - at 31 December 1996

	Notes	1996 £000	1995 £000
Assets			
Cash and balances at central banks	11	76,114	221,734
Items in the course of collection from other banks		92,113	117,218
Treasury and other eligible bills	12	11	1,929
Loans and advances to banks	13	2,285,973	1,745,110
Loans and advances to customers	14	4,129,801	3,655,840
Debt securities	17	951,021	1,113,853
Equity shares	18	6,908	7,587
Tangible fixed assets	20	121,327	120,729
Other assets	21	935,722	676,033
Prepayments and accrued income		70,524	80,320
Total Assets	10	8,669,514	7,740,353
Liabilities			
Items in the course of transmission to other banks		14,630	21,933
Deposits by banks	22	2,193,825	1,883,262
Customer accounts	23	4,486,913	4,336,567
Debt securities in issue	24	62,059	25,727
Other liabilities	25	1,230,770	870,809
Accruals and deferred income		117,139	111,490
Provisions for liabilities and charges:			
– deferred taxation	26	31,008	19,077
– other provisions for liabilities and charges		278	380
Subordinated liabilities:			
– undated loan capital	27	15,000	15,000
– dated loan capital	27	22,000	22,000
Minority interests – equity		2,940	2,289
Called up share capital	28	105,000	105,000
Revaluation reserve	29	11,888	9,166
Profit and loss account	29	376,064	317,653
Shareholders' funds – equity interests		492,952	431,819
Total Liabilities	10	8,669,514	7,740,353
Memorandum Items			
	32		
Contingent liabilities:			
– acceptances and endorsements		8,249	4,196
– guarantees and assets pledged as collateral security		71,438	120,883
– other contingent liabilities		236,062	238,247
		315,749	363,326
Commitments:			
– other commitments		1,787,813	1,511,206

These financial statements were approved by the Board of Directors on 6 February 1997 and signed on its behalf by

Sir George Quigley

Chairman

R D Kells

Group Chief Executive

I J Laird

Group Financial Controller

W. Quigley
R. Kells
I. J. Laird

BALANCE SHEET - at 31 December 1996

	Notes	1996 £000	1995 £000
Assets			
Cash and balances at central banks	11	76,110	221,727
Items in the course of collection from other banks		92,113	117,218
Treasury and other eligible bills	12	11	1,929
Loans and advances to banks	13	1,772,998	1,285,694
Loans and advances to customers	14	2,607,927	2,212,673
Debt securities	17	750,398	679,319
Equity shares	18	666	666
Shares in Group undertakings	19	62,177	62,446
Tangible fixed assets	20	104,637	102,598
Other assets	21	26,206	16,582
Prepayments and accrued income		51,889	51,496
Total Assets	10	5,545,132	4,752,348
Liabilities			
Items in the course of transmission to other banks		14,630	21,933
Deposits by banks	22	1,841,021	1,379,243
Customer accounts	23	3,044,856	2,788,518
Debt securities in issue	24	5,000	—
Other liabilities	25	248,416	225,207
Accruals and deferred income		111,807	98,902
Provisions for liabilities and charges:			
– deferred taxation	26	(192)	1,186
Subordinated liabilities:			
– undated loan capital	27	30,000	—
– dated loan capital	27	29,418	29,744
Called up share capital	28	105,000	105,000
Revaluation reserve	29	11,888	9,073
Profit and loss account	29	103,288	93,542
Shareholders' funds – equity interests		220,176	207,615
Total Liabilities	10	5,545,132	4,752,348
Memorandum Items			
	32		
Contingent liabilities:			
– acceptances and endorsements		8,249	4,196
– guarantees and assets pledged as collateral security		55,902	50,727
– other contingent liabilities		91,817	94,743
		155,968	149,666
Commitments:			
– other commitments		1,182,431	957,257

These financial statements were approved by the Board of Directors on 6 February 1997 and signed on its behalf by

Sir George Quigley

Chairman

R D Kells

Group Chief Executive

I J Laird

Group Financial Controller

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

1 Basis of Consolidation

The Group financial statements comprise the financial statements of the Bank for the year ended 31 December 1996 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 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) **Finance leases**

Income from finance leases (including capital grants grossed up to reflect their tax-free nature) 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:

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

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 transaction 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 1995 have been reclassified to accord with changes in presentation made in 1996.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

3. Administrative Expenses	1996	1995
	£000	£000
Staff costs:		
– wages and salaries	110,785	100,955
– social security costs	8,407	8,031
– other pension costs (note 30)	5,845	5,687
Other administrative expenses	42,195	40,654
	<hr/> 167,232	<hr/> 155,327
4. Amounts Written Off Fixed Asset Investments	1996	1995
	£000	£000
Investment equity shares	–	116
5. Operating Profit on Ordinary Activities Before Tax	1996	1995
	£000	£000
Is stated after:		
(a) Income		
(i) Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	512,075	474,613
(ii) Income from listed investments	39,801	42,369
(iii) Profits less losses on securities dealing	14,035	8,488
(iv) Profits less losses on disposal of investment securities	1,675	(370)
(v) Rents receivable	333	378
(b) Expenditure		
(i) Charges incurred with respect to subordinated liabilities	2,319	2,530
(ii) Operating lease rentals:		
– property	8,085	8,338
– hire of computers and equipment	1,247	1,182
(iii) Profit sharing payments	10,063	5,206
(iv) Auditors' remuneration:		
– the Group	279	272
– the Bank	59	56
(v) Group fees paid to auditors for non-audit work:		
– United Kingdom	201	103
– Republic of Ireland	163	243
	<hr/> 364	<hr/> 346

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

6. Emoluments of Directors

	1996 £000	1995 £000
Fees	114	109
Other emoluments:		
– salaries	660	624
– benefits	127	110
– performance related bonuses	150	80
– pension contributions	50	48
– compensation for loss of office	–	12
	1,101	983

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	
	1996 £	1995 £	1996 £	1995 £
Fees	42,552	42,552	–	–
Salary	–	–	150,275	139,377
Benefits	6,674	5,944	22,775	20,125
Performance related bonuses	–	–	45,124	27,431
	49,226	48,496	218,174	186,933
Pension contributions	–	–	19,711	16,213
	49,226	48,496	237,885	203,146

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

Emoluments (£)	1996	1995
Up to 5,000	2	3
5,001 – 10,000	3	3
15,001 – 20,000	–	1
20,001 – 25,000	2	1
45,001 – 50,000	1	2
85,001 – 90,000	–	1
105,001 – 110,000	–	2
110,001 – 115,000	1	–
120,001 – 125,000	1	1
135,001 – 140,000	1	–
145,001 – 150,000	1	–
155,001 – 160,000	–	1
185,001 – 190,000	1	1
215,001 – 220,000	1	–

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

7. Tax on Group Profit on Ordinary Activities

	1996 £000	1995 £000
The taxation charge based on the profits for the year is made up as follows:		
United Kingdom corporation tax at 33% (1995 = 33%)		
– current year	19,253	19,463
– prior year	81	(2,218)
Notional tax on capital grants	932	553
Relief for double taxation	(9,100)	(8,082)
	<hr/> 11,166	<hr/> 9,716
Republic of Ireland corporation tax	17,443	15,280
Duty on tax based income	212	269
Deferred taxation		
– current year	12,459	10,109
– prior year	4	(4,767)
	<hr/> 41,284	<hr/> 30,607

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

Of the profit for the financial year, **£39,680,000** (1995 £41,002,000) 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

	1996 £000	1995 £000
Equity dividends on ordinary shares:		
Interim (paid)	10,000	10,000
Final (proposed)	16,000	14,000
	<hr/> 26,000	<hr/> 24,000

10. Assets and Liabilities Denominated in Foreign Currency

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Denominated in sterling	3,359,232	2,834,503	3,393,641	2,579,077
Denominated in other currencies	5,310,282	2,710,629	4,346,712	2,173,271
Total assets	<hr/> 8,669,514	<hr/> 5,545,132	<hr/> 7,740,353	<hr/> 4,752,348
Denominated in sterling	3,325,780	2,836,270	3,471,667	2,612,831
Denominated in other currencies	5,343,734	2,708,862	4,268,686	2,139,517
Total liabilities	<hr/> 8,669,514	<hr/> 5,545,132	<hr/> 7,740,353	<hr/> 4,752,348

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

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

	1996	1995
	£000	£000
Group and Bank		
Other securities:		
– treasury bills and similar securities	11	1,929

13. Loans and Advances to Banks

	1996	1996	1995	1995
	Group	Bank	Group	Bank
	£000	£000	£000	£000
Repayable on demand	125,392	95,090	83,603	133,232
Other loans and advances by remaining maturity:				
– 3 months or less	1,794,564	1,350,550	1,169,632	732,767
– 1 year or less but over 3 months	330,863	161,176	135,777	259,201
– 5 years or less but over 1 year	4,945	23,083	21,192	38,707
– over 5 years	30,209	143,099	32,117	121,998
General and specific bad and doubtful debt provisions	–	–	(211)	(211)
	2,285,973	1,772,998	1,715,110	1,285,691
Amounts include:				
Subordinated loans	–	8,500	–	8,500
Due from parent and fellow subsidiary undertakings	626,453	106,178	464,991	161,550
Due from subsidiary undertakings:				
– subordinated		8,500		8,500
– unsubordinated		1,008,148		153,607
		1,016,648		162,107

Loans and advances to banks which have been offset with related borrowings amount to Group: **£724,688,000**, Bank: **£494,301,000** (1995 Group: £810,095,000, Bank: £608,743,000). Of these amounts **£494,301,000** (1995 £608,743,000) relate to transactions with the parent company.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

14. Loans and Advances to Customers

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Remaining maturity:				
- on demand or at short notice	682,308	617,954	705,011	622,502
- 3 months or less but not on demand or short notice	998,513	310,027	981,407	176,027
- 1 year or less but over 3 months	720,581	333,252	550,260	292,813
- 5 years or less but over 1 year	904,609	619,642	744,147	533,894
- over 5 years	877,059	738,518	732,080	595,685
General and specific bad and doubtful debt provisions	(53,269)	(11,466)	(57,065)	(8,248)
	4,129,801	2,607,927	3,655,840	2,212,673

Amounts are unsubordinated
and include:

Due from parent and fellow subsidiary undertakings	63,300	59,755	28,168	-
Due from subsidiary undertakings		268,558		247,931

Group amounts of loans and advances to customers include **£377,931,000** (1995 £321,755,000) receivable under finance leases and **£338,572,000** (1995 £291,771,000) in respect of instalment credit agreements. There are no amounts in respect of finance lease receivables which have been offset with related borrowings (1995 £273,059,000).

15. Provisions for Bad and Doubtful Debts

	1996			1995		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Group						
At 1 January	53,487	3,789	57,276	53,226	3,351	56,577
Exchange adjustments	(1,696)	(175)	(1,871)	2,352	97	2,449
Charge against profits	4,443	3,265	7,708	4,535	341	4,876
Amounts written off net of recoveries	(9,844)	-	(9,844)	(6,626)	-	(6,626)
At 31 December	46,390	6,879	53,269	53,487	3,789	57,276
Amounts held in respect of loans and advances to:						
- banks			-			211
- customers			53,269			57,065
			53,269			57,276

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

15. Provisions for Bad and Doubtful Debts (continued)

	1996			1995		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Bank						
At 1 January	6,193	2,266	8,459	6,587	2,214	8,801
Exchange adjustments	(144)	(106)	(250)	136	52	188
Charge against profits	2,275	3,037	5,312	1,964	–	1,964
Amounts written off net of recoveries	(2,055)	–	(2,055)	(2,494)	–	(2,494)
At 31 December	6,269	5,197	11,466	6,193	2,266	8,459
Amounts held in respect of loans and advances to:						
– banks			–			211
– customers			11,466			8,248
			11,466			8,459

16. Interest in Suspense

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
At 1 January	12,949	262	10,532	171
Exchange adjustments	(578)	(5)	464	6
Net interest suspended/ (received) in the year	2,033	120	2,122	164
Interest in suspense written off	(272)	(98)	(169)	(79)
At 31 December	14,132	279	12,949	262
Loans and Advances to customers on which interest is being placed in suspense				
Gross loans and advances	21,507	12,917	37,865	11,495
Provision	(10,791)	(5,392)	(30,486)	(5,067)
	10,716	7,525	7,379	6,428

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

17. Debt Securities

The carrying value of debt securities is as follows:

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Investment securities:				
Issued by public bodies				
- government securities	391,723	369,732	421,526	386,083
Issued by other issuers				
- other debt securities	351,747	313,878	338,041	80,587
	<hr/> 743,470	<hr/> 683,610	<hr/> 759,567	<hr/> 466,670
Other securities:				
Issued by public bodies				
- government securities	34,765	-	38,764	
Issued by other issuers				
- bank and building society certificates of deposits	120,406	66,000	315,418	212,545
- other debt securities	52,380	788	104	104
	<hr/> 207,551	<hr/> 66,788	<hr/> 354,286	<hr/> 212,649
	<hr/> 951,021	<hr/> 750,398	<hr/> 1,113,853	<hr/> 679,319
Amounts are unsubordinated and include:				
Due from parent and fellow subsidiary undertakings	34,616	-	121,683	85,545
Debt securities become due:				
- within 1 year	358,163	248,204	538,653	407,446
- 1 year and over	592,858	502,194	575,200	271,873
	<hr/> 951,021	<hr/> 750,398	<hr/> 1,113,853	<hr/> 679,319

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

17. Debt Securities (continued)

The market value of investment debt securities is as follows:

	1996 Group Market value £000	1996 Bank Market value £000	1995 Group Market value £000	1995 Bank Market value £000
Investment securities:				
Issued by public bodies				
- government securities	396,175	373,794	427,186	391,204
Issued by other issuers				
- other debt securities	364,142	326,106	351,940	80,735
	760,317	699,900	779,126	471,939

	1996 Carrying value £000	1996 Market value £000	1995 Carrying value £000	1995 Market value £000
Group				
Investment securities:				
- listed on a recognised				
UK exchange	414,768	426,001	392,508	404,892
- listed elsewhere	300,708	306,159	343,462	350,146
- unlisted	27,994	28,157	23,597	24,088
	743,470	760,317	759,567	779,126

Other debt securities:				
- listed on a recognised				
UK exchange	-	-	-	-
- listed elsewhere	34,765		38,764	
- unlisted	172,786		315,522	
	207,551		354,286	

Bank				
Investment securities:				
- listed on a recognised				
UK exchange	366,877	377,832	184,455	185,551
- listed elsewhere	288,739	293,911	282,215	286,388
- unlisted	27,994	28,157	-	-
	683,610	699,900	466,670	471,939

Other debt securities:				
- unlisted	66,788		212,649	

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

17. Debt Securities (continued)

Investment securities	Cost	Amortised discounts (premiums)	Carrying value
	£000	£000	£000
Group			
At 1 January 1996	568,597	(10,416)	558,181
Reclassification	200,570	816	201,386
At 1 January 1996 as restated	769,167	(9,600)	759,567
Exchange adjustments	(25,624)	111	(25,513)
Acquisitions	468,837	—	468,837
Securities sold or matured	(464,279)	12,062	(452,217)
Amortisation of discounts and premiums	—	(7,204)	(7,204)
At 31 December 1996	748,101	(4,631)	743,470
Bank			
At 1 January 1996	476,773	(10,103)	466,670
Exchange adjustments	(16,029)	102	(15,927)
Acquisitions	640,139	—	640,139
Securities sold or matured	(411,802)	11,420	(400,382)
Amortisation of discounts and premiums	—	(6,890)	(6,890)
At 31 December 1996	689,081	(5,471)	683,610
	1996	1996	1995
	Group	Bank	Group
	£000	£000	£000
Unamortised (premiums)/discounts on investment debt securities	(4,555)	(4,921)	(2,226)
			1995
			Bank
			£000
			(3,115)

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

18. Equity Shares

	1996 Carrying value £000	1996 Market value £000	1995 Carrying value £000	1995 Market value £000
Group				
Investment securities:				
- listed on a recognised UK exchange	1	1	1	1
- listed elsewhere	5,556	6,189	5,801	6,028
- unlisted	1,049	1,049	1,202	1,202
	6,606	7,239	7,004	7,231
Other Securities:				
- listed other than on a recognised UK exchange	302		583	
	6,908		7,587	
Bank				
Investment securities:				
- listed on a recognised UK exchange	1	1	1	1
- unlisted	665	665	665	665
	666	666	666	666
Investment securities		Cost	Provisions	Carrying value
		£000	£000	£000
Group				
At 1 January 1996		7,504	(500)	7,004
Exchange adjustments		(265)	3	(262)
Disposals		(136)	-	(136)
At 31 December 1996		7,103	(497)	6,606
Bank				
At 1 January 1996		1,166	(500)	666
Exchange adjustments		(3)	3	
At 31 December 1996		1,163	(497)	666

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

19. Shares in Group Undertakings

	Cost and carrying value £000	
The Bank		
At 1 January 1996		62,446
Exchange adjustments		(269)
		<hr/>
At 31 December 1996		62,177
		<hr/>
Subsidiary undertakings comprise:	1996 £000	1995 £000
– banks	11,187	11,437
– other	50,990	51,009
	<hr/>	<hr/>
Total – all unlisted	62,177	62,446

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

Undertaking	Nature of business	Incorporated in
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%.

(c) On 1 March 1996, the insurance broking business of Ulster Bank Insurance Services Ltd was transferred to Ulster Bank Ltd.

(d) All assets held by Ulster Leasing (Isle of Man) Ltd and Ulster Leasing No 2 (Isle of Man) Ltd for the purpose of letting under finance leases were sold during the year.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

20. Tangible Fixed Assets	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
Group					
Cost or valuation					
At 1 January 1996	37,696	9,748	6,007	121,784	175,235
Reclassifications	(151)	(151)	302	—	—
Exchange adjustments	(1,095)	(233)	(164)	(3,410)	(4,902)
Revaluation surplus/(deficit)	3,420	(254)	—	—	3,166
Additions	1,436	404	287	20,221	22,348
Disposals	(317)	(2)	(18)	(5,103)	(5,440)
At 31 December 1996	40,989	9,512	6,411	133,492	190,407
Accumulated depreciation					
At 1 January 1996			1,160	53,346	54,506
Exchange adjustments			(27)	(1,669)	(1,696)
Disposals			(18)	(3,051)	(3,069)
Charge for the year			300	19,039	19,339
At 31 December 1996			1,415	67,665	69,080
Net book value:					
— at 31 December 1996	40,989	9,512	4,999	65,827	121,327
— at 31 December 1995	37,696	9,748	4,847	68,438	120,729
Bank					
Cost or valuation					
At 1 January 1996	37,289	9,222	4,061	91,770	142,342
Reclassification	(151)	(151)	302	—	—
Exchange adjustments	(1,093)	(211)	(114)	(2,238)	(3,656)
Revaluation surplus/(deficit)	3,420	(254)	—	—	3,166
Additions	1,436	404	258	15,832	17,930
Disposals	(40)	(2)	—	(3,022)	(3,064)
At 31 December 1996	40,861	9,008	4,507	102,342	156,718
Accumulated depreciation					
At 1 January 1996			771	38,973	39,744
Exchange adjustments			(17)	(1,055)	(1,072)
Disposals			—	(1,928)	(1,928)
Charge for the year			190	15,147	15,337
At 31 December 1996			944	51,137	52,081
Net book value:					
— at 31 December 1996	40,861	9,008	3,563	51,205	104,637
— at 31 December 1995	37,289	9,222	3,290	52,797	102,598

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

20. Tangible Fixed Assets (continued)

The Group's freehold and long leasehold properties were independently valued by professional valuers during the year 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 directors, having considered these valuations, have concluded that the resulting surplus over the book value should be credited to the Revaluation Reserve (note 29) and the book values adjusted accordingly.

Cost or valuation of freehold and long leasehold premises at 31 December comprises:	1996 Freehold land and buildings £000	1996 Leases of 50 years or more unexpired £000	1995 Freehold land and buildings £000	1995 Leases of 50 years or more unexpired £000
Group				
At valuation	40,861	9,008	33,129	7,541
At cost	128	504	4,567	2,207
	40,989	9,512	37,696	9,748
Bank				
At valuation	40,861	9,008	32,850	7,541
At cost	—	—	4,439	1,681
	40,861	9,008	37,289	9,222

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
On the historical cost basis, freehold and long leasehold premises would have been included as follows:				

Cost and net book value	38,613	37,981	38,278	37,438
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Land and buildings occupied for own activities:

Net book value	47,614	45,674	45,263	42,901
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Future capital expenditure:

Contracted expenditure not provided in the accounts	3,581	2,357	4,260	4,260
Expenditure authorised by the Directors but not contracted	31,417	30,782	8,095	7,341
	34,998	33,139	12,355	11,601

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

21. Other Assets	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Mark-to-market value of foreign exchange and interest rate contracts	356,511	13,438	235,824	7,132
Settlement balances	502,389	—	359,869	—
Other	76,822	12,768	80,340	9,450
	935,722	26,206	676,033	16,582
22. Deposits by Banks	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Repayable on demand	88,129	29,223	43,181	66,473
With agreed maturity dates or periods of notice, by remaining maturity:				
– 3 months or less but not repayable on demand	1,612,709	959,457	1,548,653	855,994
– 1 year or less but over 3 months	421,808	325,701	177,063	115,806
– 5 years or less but over 1 year	63,268	198,328	94,039	48,017
– over 5 years	7,911	328,312	20,326	292,953
	2,193,825	1,841,021	1,883,262	1,379,243
Amounts include:				
Due to parent and fellow subsidiary undertakings	1,377,891	435,056	1,378,160	516,176
Due to subsidiary undertakings		1,026,066		581,274
23. Customer Accounts	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Repayable on demand	2,268,518	2,017,619	2,069,718	1,857,918
With agreed maturity dates or periods of notice, by remaining maturity:				
– 3 months or less but not repayable on demand	1,946,335	910,109	1,997,873	800,221
– 1 year or less but over 3 months	217,785	106,613	188,496	90,270
– 5 years or less but over 1 year	52,834	10,515	80,372	40,109
– over 5 years	1,441	—	108	—
	4,486,913	3,044,856	4,336,567	2,788,518
Amounts include:				
Due to parent and fellow subsidiary undertakings	22,834	16,715	77,420	15,165
Due to subsidiary undertakings		6,504		7,038

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

24. Debt Securities in Issue	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Bonds and medium term notes, by remaining maturity:				
- 1 year or less or on demand	12,370	-	-	-
- 5 years or less but over 2 years	22,142	-	-	-
- over 5 years	7,227	-	-	-
	41,739	-	-	-
Other debt securities in issue, by remaining maturity:				
- 3 months or less	5,000	5,000	8,260	-
- 1 year or less but over 3 months	13,070	-	7,228	-
- 2 years or less but over 1 year	-	-	7,742	-
- over 5 years	2,250	-	2,497	-
	20,320	5,000	25,727	-
	62,059	5,000	25,727	-
25. Other Liabilities	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Short positions in securities	22,697	-	8,695	-
Mark-to-market value of foreign exchange and interest rate contracts	354,280	8,578	227,071	7,292
Trade creditors	2,037	-	4,254	-
Settlement balances	582,670	-	378,309	-
Taxation	22,966	17,418	27,040	18,503
Notes in circulation	166,724	166,724	157,008	157,008
Dividends payable	16,000	16,000	14,000	14,000
Other liabilities	63,396	39,696	54,132	28,404
	1,230,770	248,416	870,809	225,207
26. Deferred Taxation	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
The amount provided at the rates at which the liabilities are expected to crystallise is:				
Short term timing differences	243	(2,326)	716	(1,706)
Equipment held for leasing	14,070	-	8,748	-
Capital allowances	2,017	2,134	4,257	2,892
Other timing differences	14,678	-	5,356	-
	31,008	(192)	19,077	1,186

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

26. Deferred Taxation (continued)

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

- (i) the properties of the Group being realised at the balance sheet value. 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 1996	19,077	1,186
Exchange adjustments	(532)	12
Arising/(released) during the year	12,463	(1,390)
At 31 December 1996	31,008	(192)

27. Loan Capital

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Undated				
- held by fellow subsidiary undertaking	15,000	-	15,000	-
- held by subsidiary undertaking	-	30,000	-	-
	15,000	30,000	15,000	
Dated				
Repayable 2002				
- held by fellow subsidiary undertaking	22,000	22,000	22,000	22,000
IR£ loan capital repayable 2003 -				
- held by subsidiary undertaking	-	7,418	-	7,744
	22,000	29,418	22,000	29,744

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.

28. Called Up Share Capital

	Authorised	Allocated, called up and fully paid
	1996 £000	1995 £000
Equity shares		
Ordinary shares of £1 each	150,000	105,000

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

29. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
Equity reserves are analysed below:			
Group			
At 1 January 1996	9,166	317,653	326,819
Exchange adjustments	(322)	(11,381)	(11,703)
Retained profit for the year		67,538	67,538
Revaluation surplus	3,166	—	3,166
Goodwill written back	—	2,132	2,132
Transfer of realised profit	(122)	122	—
At 31 December 1996	11,888	376,064	387,952
Bank			
At 1 January 1996	9,073	93,542	102,615
Exchange adjustments	(321)	(3,965)	(4,286)
Retained profit for the year		13,681	13,681
Revaluation surplus	3,166	—	3,166
Transfer of realised profit	(30)	30	—
At 31 December 1996	11,888	103,288	115,176

In accordance with Financial Reporting Standard No 7 the directors have reviewed the ultimate consideration payable in respect of an acquisition made in 1994 and, as a result, have written back £2,132,000 of the goodwill arising which was eliminated against reserves in that year.

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** (1995 £18,114,000).

30. 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 **£5,845,000** (1995 £5,687,000). Acting on the advice of the actuary for the major schemes, 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 **£789,200** (1995 £656,000) included in Prepayments and accrued income and **£6,266,000** (1995 £3,542,000) 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 1996*

31. 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)			
1996	54,868	80,920	135,788
1995	49,078	71,023	120,101
Net assets (note b)			
1996	163,145	369,747	532,892
1995	170,675	300,433	471,108
Total assets (note b)			
1996	2,937,984	5,731,530	8,669,514
1995	3,063,941	4,676,412	7,740,353
Average assets (note c)			
1996	3,060,385	5,200,145	8,260,530
1995	2,951,601	4,214,062	7,165,663
Class of business	Retail £000	Markets £000	Total £000
Profit on ordinary activities before tax (note a)			
1996	81,058	54,730	135,788
1995	69,391	50,710	120,101
Net assets (note b)			
1996	300,098	232,794	532,892
1995	281,110	189,998	471,108
Total assets (note b)			
1996	3,926,192	4,743,322	8,669,514
1995	3,722,623	4,017,730	7,740,353
Average assets (note c)			
1996	3,740,974	4,519,556	8,260,530
1995	3,446,233	3,719,430	7,165,663

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 1996

32. Memorandum Items

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

	1996 Contract amount £000	1996 Risk weighted amount £000	1995 Contract amount £000	1995 Risk weighted amount £000
Group				
Contingent liabilities:				
- Acceptances and endorsements	8,249	8,185	4,196	3,904
- Guarantees and assets pledged as collateral security:				
- guarantees	71,438	67,369	120,883	120,285
- Other contingent liabilities	236,062	143,532	238,247	136,959
	315,749	219,086	363,326	261,148
Commitments:				
- Documentary credits and other short term trade-related contingent obligations	12,045	2,337	13,355	2,490
- Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
- less than one year or unconditionally cancellable at any time	1,434,638	-	1,271,924	-
- one year and over	341,130	167,253	224,474	111,111
- Other	-	-	1,453	-
	1,787,813	169,590	1,511,206	113,601
Bank				
Contingent liabilities:				
- Acceptances and endorsements	8,249	8,185	4,196	3,904
- Guarantees and assets pledged as collateral security:				
- guarantees	55,902	49,532	50,727	50,351
- Other contingent liabilities	91,817	45,782	94,743	47,206
	155,968	103,499	149,666	101,461
Commitments:				
- Documentary credits and other short term trade-related contingent obligations	12,045	2,337	13,355	2,490
- Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
- less than one year or unconditionally cancellable at any time	1,095,182	-	943,902	-
- one year and over	75,204	36,153	-	-
	1,182,431	38,490	957,257	2,490

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1995***32. 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. There are no amounts included within these transactions which are incurred on behalf of, or for the benefit of, the parent, fellow subsidiary and subsidiary undertakings. 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.

33. 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 life of the underlying assets or liabilities.

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 Head 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 1996*

33. 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 1996, for all trading books carried at fair value, the average daily profit after charging funding costs was £116,000; the maximum loss on any one day did not exceed £108,000. The standard deviation of daily profits was less than £68,000. Average daily VAR for these books (assuming zero correlation between product groups) was £335,000 for the year. Maximum and minimum daily VAR were £619,000 and £139,000 respectively.

The following table provides an overview of the Group's exchange rate related and interest rate 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.

	1996			1995		
	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	9,884,787	12,418,435	33,410	8,382,332	6,842,230	—
Gross replacement cost	183,202	68,632	4,193	82,609	71,884	—

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 1996

33. 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:

	1996			1995		
	Notional principal amounts £000	Fair Values		Notional principal amounts £000	Fair values	
		Asset £000	Liability £000		Asset £000	Liability £000
Exchange rate related contracts						
Spot, forwards and futures	9,194,665	148,743	145,720	8,017,833	66,409	76,383
Currency swaps	610,634	33,586	4,403	281,994	15,410	5,306
Options purchased	50,135	873	—	5,083	267	—
Options written	—	—	—	27,700	—	322
	9,855,434	183,202	150,123	8,332,610	82,086	82,011
Interest rate related contracts						
Interest rate swaps	5,168,342	64,006	64,806	3,541,738	67,086	65,316
Options purchased	114,145	695	—	29,038	86	—
Options written	280,262	—	1,959	32,442	—	763
Futures and forward rate agreements	5,942,729	3,931	5,274	3,191,664	432	3,389
	11,505,478	68,632	72,039	6,794,882	67,604	69,468
Equity and commodity related contracts	33,410	4,193	—	—	—	—
		256,027	222,162		149,690	151,479
Average fair value						
Exchange rate related contracts		100,592	86,751		98,855	100,900
Interest rate related contracts		67,385	69,813		43,561	44,145
Equity and commodity related contracts		3,427	—		—	—
		171,404	156,564		142,416	145,045

Averages are calculated from a combination of monthly and quarterly balances. There are no netting arrangements in place at the year end (1995 £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 1996*

33. 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
Exchange rate related contracts					
Spot, forwards and futures	9,069,270	125,061	334	–	9,194,665
Currency swaps	58,001	156,273	283,468	112,892	610,634
Options purchased	20,782	29,353	–	–	50,135
At 31 December 1996	9,148,053	310,687	283,802	112,892	9,855,434
At 31 December 1995	8,003,769	124,701	175,684	28,456	8,332,610
Interest rate related contracts					
Interest rate swaps	1,545,401	1,304,864	2,105,040	213,037	5,168,342
Options purchased	8,810	–	105,335	–	114,145
Options written	8,810	300	257,755	13,397	280,262
Futures and forward rate agreements	3,689,408	2,245,157	–	8,164	5,942,729
At 31 December 1996	5,252,429	3,550,321	2,468,130	234,598	11,505,478
At 31 December 1995	2,680,600	1,938,771	1,895,409	280,102	6,794,882
Equity and commodity related contracts					
At 31 December 1996	–	–	26,019	7,391	33,410
At 31 December 1995	–	–	–	–	–

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 1996*

33. 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
Exchange rate related contracts					
Spot, forwards and futures	1,301,971	–	–	–	1,301,971
Currency swaps and options	28,479	64,750	44,551	–	137,780
At 31 December 1996	1,330,450	64,750	44,551	–	1,439,751
At 31 December 1995	490,297	17,669	47,874	–	555,840
Interest rate related contracts					
Interest rate swaps	473,370	353,809	293,968	354,576	1,475,723
Options	19,063	16,515	8,870	–	44,448
Futures and forward rate agreements	690,111	116,418	–	–	806,529
At 31 December 1996	1,182,544	486,742	302,838	354,576	2,326,700
At 31 December 1995	541,858	266,020	178,609	53,871	1,043,358

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

	1996 £000	1995 £000
Exchange rate related contracts	29,353	49,722
Interest rate related contracts	912,957	47,348

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

	1996			1995		
	Notional principal amount £000	Weighted average interest rates		Notional principal amount £000	Weighted average interest rates	
		Receive %	Pay %		Receive %	Pay %
Receive fixed swaps	442,377	7.66	7.31	87,393	8.50	6.45
Pay fixed swaps	1,033,346	6.09	7.70	676,642	6.97	7.49
	1,475,723			764,035		

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

33. Derivatives (continued)

Analysis of replacement cost of OTC contracts:

					1996	1995
	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	Total £000
By remaining maturity:						
Exchange rate related contracts	155,215	10,688	12,499	4,801	183,203	82,086
Interest rate related contracts	13,578	14,533	31,744	8,777	68,632	67,604
Equity and commodity related contracts	–	–	2,665	1,528	4,193	–
	168,793	25,221	46,908	15,106	256,028	149,690
By counterparty exposure:						
Financial institutions					194,846	103,166
Other					61,182	46,524
					256,028	149,690

Glossary of terms on derivatives

Derivative	A derivative is a contract whose value is derived from an underlying physical or financial commodity.
Fair Value	Fair value is the amount for which a derivative could be exchanged in an arm's length transaction between informed and willing parties. It is based on quoted market prices when available. If no quoted price exists for a particular instrument, fair value is determined from market prices for its components using appropriate models.
Forward	A forward agreement is a contract to buy (or sell) a specified amount of the physical or financial commodity, at an agreed price, at an agreed date.
Forward foreign exchange contract	A contract to pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed exchange rate.
Forward rate agreement	An agreement to pay or receive the difference between a specified interest rate and a reference rate on a notional deposit at a specified future date.
Future	A future is an exchange traded contract to buy (or sell) a standardised amount of the underlying physical or financial commodity at an agreed price on a set date.
Gross replacement cost	This represents the sum of the positive replacement values for a portfolio of trades.
Notional principal amount	The notional principal amount is the amount of the underlying physical or financial commodity on which the derivative contract is based.
Option	An option is a contract that gives the holder the right but not the obligation to buy (or sell) a specified amount of the underlying physical or financial commodity, at a specific price, at an agreed date or over an agreed period.

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

33. Derivatives (continued)

OTC Contract	An 'over the counter' contract with terms that are specific to customer requirements.
Proprietary trading	Proprietary trading is the deliberate taking of a position in anticipation of price movements rather than to meet customer demand or to hedge position.
Swap	A swap is an agreement to exchange cashflows in the future according to a pre-arranged formula.
Value-at-risk	The value-at-risk (VAR) is the range of profit/loss that a particular deal or group of deals is likely to face given defined fluctuations in variables such as interest rates or exchange rates. Changes in each of these are determined by statistical analyses of historic market movements.

34. General

(i) Operating lease commitments

	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Annual commitments under operating leases, which relate solely to property, were as follows:				
Operating leases which expire:				
Within 1 year	315	15	53	53
Between 1 and 5 years	1,251	185	305	128
In 5 years or more	10,200	2,447	8,326	2,362
	11,766	2,647	8,684	2,543

(ii) Lease and similar finance arrangements

Group amounts financed under finance lease and instalment credit agreements entered into during the year were **£590,777,000** (1995 £472,072,000).

(iii) Average number of employees

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

	1996	1995
Managers	1,223	1,234
Clerical staff	2,956	2,941
Others	139	134
	4,318	4,309

(iv) Assets pledged as security for liabilities

	Amount of Liability Secured			
	1996 Group £000	1996 Bank £000	1995 Group £000	1995 Bank £000
Deposits by Banks	140,960	140,960	21,735	21,735

These liabilities were secured on debt securities held by Group companies with a carrying value of **£148,403,000** (1995 £22,631,000).

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

34. General (continued)

(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.

35. Transactions Involving Directors and Others

- (a) The aggregate amounts outstanding at 31 December 1996 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	10	10	4,413
Quasi loans	7	5	14
Credit transactions	1	1	347

- (b) There were no amounts outstanding at 31 December 1996 (1995: £Nil) in respect of loans made to directors by subsidiary undertakings which were not authorised institutions.

- (c) The aggregate amounts outstanding at 31 December 1996 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	31	1,633
Quasi loans	24	22
Credit transactions	1	12

NOTES TO THE FINANCIAL STATEMENTS - *for the year ended 31 December 1996*

36. Directors' Interests in Shares

The interests, all beneficial, of those who were directors at 31 December 1996 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	As at	As at	Granted during the year		Exercised during		As at
	1 January 1996	31 December	1 January 1996	(exercisable between		the year		31 December
	or date of	1996	or date of	1999 and 2006)				1996
appointment			appointment	Options	Weighted	Options	Price (p)	
if later			if later		Price (p)			
Sir W G H Quigley	3,800	3,800	—	—	—	—	—	—
D F Adair	17,409	11,021	39,161	10,379	634	—	—	49,540
B P Horn	10,737	13,621	209,471	379	546	97,612	318	112,238
R D Kells	24,516	25,762	86,927	214	546	23,917	324	63,224
I J Laird	12,776	15,225	38,331	10,000	637	918	196	47,413
P M A McMahon	6,274	9,640	22,769	7,500	637	—	—	30,269
J J McNally	3,285	5,467	31,480	7,879	633	4,083	318	35,276
D Went	20,035	19,059	82,742	379	546	—	—	83,121
M J Wilson	1,187	5,433	96,627	13,879	635	—	—	110,506

Sir George Quigley is also a director of National Westminster Bank Plc and details of his interests are also included in the financial statements of that company.

Mr B P Horn is also a director of National Westminster Bank Plc, Lombard North Central PLC and Coutts Group, and details of his interests are also included in the financial statements of those companies.

Mr D Went is also a director of Coutts Group and details of his interests are also included in the financial statements of that company.

Notes

- Options outstanding are exercisable at prices between 261p and 637p 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 1996 was 685.5p per share and, during the year, the price has ranged from a low of 605.5p to a high of 726.5p.

Medium Term Equity Plan

During 1996, the directors listed overleaf were granted potential awards under the Medium Term Equity Plan (MTEP) in respect of 1995 and 1996. MTEP is a type of Employee Share Ownership Plan funded by the National Westminster Bank Plc and administered by an independent trustee. The awards are subject to a stretching performance condition. The achievement of the performance conditions would result in the directors receiving the number of ordinary shares of £1 each shown below. These shares were acquired by the Trustee of the Plan at a price of 688.5p for the 1995 award and an average of 692p for the 1996 award.

If the performance criteria are met, directors will be able to elect to have the shares awarded in respect of 1995 transferred to them between 1998 and 2002. Similarly, if the performance criteria for the 1996 award is met, directors will be able to elect to have those shares transferred to them between 1999 and 2003.

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 December 1996

36. Directors' Interests in Shares (continued)

Directors	Number of Ordinary Shares Granted	
	1996 Award	1995 Award
B P Horn	29,493	28,911
R D Kells	7,807	—
D Went	19,662	21,682

As at 31 December 1996 **1,234,032** (1995: 375,881) 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.

37. 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
Loans made during the year		
– at a commercial rate	3	2,430
– at a preferential rate	1	75
Leasing		
– at a commercial rate	1	546
Balances outstanding at the end of the year:		
Loans		
– at a commercial rate	6	4,212
– at a preferential rate	9	367
Leasing		
– at a commercial rate	1	347
Credit balances on deposit and current accounts	14	5,401

(b) Other

- (i) Dividend income of £150,000 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 £24,000 remained outstanding.
- (ii) Fee income of £1,005,000 and £194,000 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 these services were £209,000.
- (iii) 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.

38. 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 only 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 clients throughout Ireland and internationally. The services provided by Ulster Bank Markets include:

- Corporate Banking and Specialised Financial Structures
- Treasury and Capital Markets
- 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.

CORPORATE BANKING

The Corporate Banking Division of Ulster Bank Markets is responsible for the development and management of Ulster Bank Group's overall relationships with its large corporate clients. The Division operates through teams of experienced lending executives, based in both Dublin and Belfast, specialising in specific industry sectors and focused on the needs of corporate customers operating in or from Ireland.

Each client has a dedicated Relationship Manager within the relevant team. The job of the Relationship Manager is to understand the precise requirements of each corporate customer and to co-ordinate the delivery of skills, expertise and commitment from the relevant product specialists within the Ulster Bank and NatWest Groups.

We have a particular commitment to companies investing in Ireland for the first time. A dedicated team concentrates exclusively on their special requirements to ease the arrangement of an entire package of banking services.

A comprehensive range of products and services is continually improved through innovation and includes:

- Short, medium and long term debt facilities tailored to the profile of each client's anticipated cashflow
- Tax-driven facilities which can generate reduced funding costs to qualifying customers/projects
- Long term project finance facilities (including for mining and infrastructural projects)
- Funding for leveraged buy-outs, management buy-outs and management buy-ins through long-term debt instruments
- Syndicated loans for various purposes including restructuring of debt and balance sheets and the funding of acquisitions

ULSTER BANK MARKETS

- Bridging and arrangement (specifically in conjunction with NatWest) of bond placements
- Bid Bonds, Performance Bonds, Payment Guarantees and other contingent instruments as well as off-balance sheet products to finance fixed assets and or stocks and or debtors.

Underpinning all of these services is a commitment to ensuring that we are close to our customers and that we understand the markets in which they operate and the range of financing mechanisms available to them. The result is proactive identification and tailoring of solutions to our customers' requirements in an efficient, flexible and cost-effective manner.

Contact:

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Head of Corporate Banking Dublin	Head of Corporate Banking Belfast
Ulster Bank Group Centre	Bulloch House
George's Quay	2 Linenhall Street
Dublin 2	Belfast BT2 8BA
Telephone (01) 608 4000	Telephone (01232) 897777
Fax (01) 608 4145	Fax (01232) 897788

ULSTER BANK (ISLE OF MAN) LIMITED

Ulster Bank (Isle of Man) Ltd is a wholly owned subsidiary of Ulster Bank Ltd and provides a full range of deposit taking facilities in most major currencies.

As well as providing investment products, it also provides complementary services such as execution of share dealing, foreign exchange and the formation and administration of trusts either direct or through Ulster Bank Group or other members of NatWest Group based on the island.

Ulster Bank (Isle of Man) Ltd
45 Victoria Street
Douglas
Isle of Man
IM1 2UB
Telephone (01624) 672211

Registered with the Isle of Man Financial Supervision Commission for Banking and Investment Business.

ULSTER INTERNATIONAL FINANCE (UIF)

UIF is the largest company of its type in the International Financial Services Centre in Dublin with a client base spread over a wide range of international markets. UIF is engaged in a wide range of cross-border structured finance and lending activities including the management of client-owned special purpose IFSC companies and of international loan portfolios providing facilities to international corporates at competitive rates.

ULSTER BANK MARKETS

UIF is active in markets worldwide including the United Kingdom, North America, Germany, Italy, South Africa and the Asia Pacific region.

As a wholly owned subsidiary of Ulster Bank Markets and NatWest, UIF is unique among IFSC operators in that it has access to the resources of both a major domestic bank and one of the foremost financial institutions in the world.

IFSC

The IFSC offers significant benefits to participants engaged in qualifying financial services activities which typically include:

- Intragroup financing
- Asset financing
- Sales aid financing
- Funds procurement
- Cash management
- Currency and interest rate risk management.

These benefits are primarily derived from an extensive range of incentives introduced by the Irish Government including:

- Low corporation tax rate of 10% approved by the EU until 2005
- Access to Ireland's extensive network of double tax treaties
- No withholding taxes
- No exchange control restrictions
- Up to 100% tax depreciation allowance for leasing activities.

UIF advises and assists clients seeking to obtain licences for new IFSC operations. By availing of the services of UIF, corporates may establish IFSC operations without having to commit their own personnel and infrastructural resources as UIF can satisfy all such requirements on their clients' behalf. The comprehensive service range includes assistance in identifying optimum structures, licence application and negotiation and full treasury management and secretarial services.

Ulster International Finance
IFSC House
IFSC, Dublin 1
Telephone (01) 6700700

Ulster International Finance is authorised by Central Bank of Ireland.

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. Through the ultimate parentage of NatWest, the Division is unique in the Irish market in having direct access to first class research on the world's leading markets, sectors and stocks.

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: Telephone (01) 6615611 Fax (01) 6115766

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.

ULSTER BANK MARKETS

Corporate Advisory

Advice to public and private entities on:

- Stock Exchange/Takeover Panel transactions
- Mergers
- Acquisitions
- Disposals
- Fund raising
- Restructuring
- 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 Finance 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	Belfast
Hugh Cooney	Robin Horner
Managing Director	Ulster Bank Markets Limited
NCB Corporate Finance Limited	Bulloch House
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International Financial Services Centre	Belfast
Dublin 1	BT2 8BA

Telephone (01) 6115611

Telephone (01232) 897777

NCB Corporate Finance Ltd is authorised by Central Bank of Ireland.

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 a high reputation internationally as an active market maker, both spot and forward, in all major currencies.

The Division's many activities in foreign exchange include a spot forex 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.

ULSTER BANK MARKETS

The Bonds and Derivatives Unit provides clients with tailored solutions to their long term interest rate and foreign exchange exposures. It also helps investors to secure higher yields with products that best meet their portfolio requirements. The unit also works closely with NatWest Markets 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 the most 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+.

Belfast	Dublin (Treasury)	Dublin (Trade Finance)
40 Linenhall Street	IFSC House	Ulster Bank Group Centre
Belfast	IFSC	George's Quay
BT2 8AZ	Dublin 1	Dublin 2
Telephone	Telephone	Telephone
(01232) 325626	(01) 6700700	(01) 6084000

INVESTMENT DIVISION

Fund Management

Established in 1980, Ulster Bank Investment Managers Ltd (UBIM) manages assets in excess of £2.6Bn, 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

ULSTER BANK MARKETS

- 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 £5.8Bn. International clients include fund sponsors from the US, Europe and the Far East.

Administrative 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:

- 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 offshore fund managers with unique structures designed to meet their specific needs.

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 Central Bank of Ireland and Bonded in accordance with the Investment Intermediaries Act 1995.

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

DIRECTORS AND EXECUTIVES

Chairman

Sir George Quigley, CB

Directors

David Franklin Adair • Denis Fitzgerald Desmond, CBE
James Robert Gallagher • Bernard Philip Horn
Ronald David Kells • Ivan James Laird
Patrick Michael Anthony McMahon
John Joseph McNally • Robert William Roy McNulty, CBE
William Patrick O'Kane, OBE • Martin Rafferty
David Went • Martin Joseph Wilson

Audit and Compliance Committee

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

Group Chief Executive

R D Kells

Divisional Heads

D F Adair	<i>Retail</i>
M J Wilson	<i>Markets</i>
S J Daniels	<i>Human Resources</i>
I J Laird	<i>Financial Control</i>
Oliver Lynas	<i>Group Audit & Compliance</i>
G J O'Hara	<i>Information Systems Services</i>
T C Reid	<i>Group Risk</i>

Secretary

D J Peacock

Head Office

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Chief Office Republic of Ireland

33 College Green, Dublin 2

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Lombard & Ulster Limited

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G.J. Simms, Chief Executive

Lombard & Ulster Banking Limited

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

P.A. McArdle, 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

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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

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A.J. Jordan, Chief Executive

Ulster Bank Markets Limited

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

M.J. Wilson, Chief Executive

Ulster International Finance

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

Dublin 1

Michael Drew, Chief Executive

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Michael Drew, Chief Executive

Ulster International Finance & Commercial Services Company

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Michael Drew, Director

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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 Ltd

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

J E Crawley, Director

Ulster Bank Ireland GSF Ltd

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Noel Ryan, Director

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I J Laird, Director

REGIONAL DIRECTORS

Northern Region

Albert Wilson

Southern Region

J J McNally

AREA DIRECTORS

Northern Region

City R J H Price
North W F Caldwell
South H B Dickson

Southern Region

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

OFFICES

Antrim	Antrim Road	Carrickfergus
Ardara	Boucher Road	Carrickmacross
Ardee	Carlisle Circus	Castlebar
Armagh	Carryduff	Castleblayney
Arva	Connswater	Castlederg
Athboy	Corn Market	Castlepollard
Athenry	Crumlin Road	Castletroy
Athlone	Donegall Place	Castlereagh
Athy	Dundonald	Castlewellan
Aughnacloy	Dunmurry	Cavan
Ballina	Finaghy	Celbridge
Ballinrobe	King's Road	Clane
Ballybofey	Knock	Claremorris
Ballycastle	Lisburn Road	Clogher
Ballyclare	Markets	Clones
Ballyconnell	Mountpottinger	Clonmel
Ballyhaunis	Newtownbreda	Coleraine
Ballyjamesduff	Ormeau Road	Comber
Ballymena,	Shaftesbury Square	Cookstown
Wellington Street	Shankill Road	Cootehill
Ballymena, Harryville	University Road	Cork, Patrick Street
Ballymoney	Waring Street	Cork, South Mall
Ballymote	Woodstock Road	Cork, Wilton
Ballynahinch	York Street	Crumlin
Banbridge		Donaghadee
Bangor, Main Street	Belmullet	Donegal
Bangor, Springhill	Belturbet	Downpatrick
	Blessington	Draperstown
Belfast	Buncrana	Drogheda
Andersonstown	Carlow	Dromore, Co Down

OFFICES

Dromore, Co Tyrone

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

Holywood

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,

Waterloo Place

Londonderry,

Waterside

Longford

Lurgan

Maghera

Magherafelt

Mallow

Manorhamilton

Maynooth

Moirá

Monaghan

Monkstown

Mullingar

Naas

Navan

Nenagh

Newbridge

Newcastle

Newry

Newtownabbey

Newtownards

Newtownhamilton

Omagh

Portadown, High Street

Portadown,

Borough Place East

Portlaoise

Portrush

Portstewart

Raphoe

Rathfriland

Shannon Town Centre

Sligo, Stephen Street

Sligo, Pearse Road

Stewartstown

Strabane

Tandragee

Thurles

Tralee

Trim

Tuam

Tullamore

Warrenpoint

Waterford

Westport

Wexford

