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1998

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

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



Ulster Bank Group

REVIEW OF 1998

RESULTS

Profit before tax for the year to 31 December 1998 rose by 8% to £155.4m. Once again this is a record profit for the Ulster Bank Group. However, because of the strength of sterling against the Irish pound, this fails to give a true measure of Ulster Bank Group's underlying performance relative to 1997. At constant exchange rates, the increase in pre-tax profits was 13%. This result, secured in a very competitive market, confirms the Group's ability to achieve consistently high performance.

Operating income rose by 6% to £390.7m, with net interest income increasing by 5%. Loan volumes have grown by an underlying 13%, with substantial increases recorded by all businesses. The rise reflects buoyant demand for credit, especially in the Republic of Ireland.

The charge for bad and doubtful debts increased to £15.8m from £11.8m in 1997. This represents 0.29% of advances compared to 0.24% the previous year. Overall asset quality, however remains good.

Costs increased by 3%. The Cost Income Ratio was reduced to 56.2% from 57.7% last year. Post Tax Return on Shareholders' Funds reduced from 19.9% to 19.1% mainly as a result of the higher bad and doubtful debt charge.

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

ECONOMIC ENVIRONMENT

REPUBLIC OF IRELAND

Europe's "Celtic Tiger" economy gained momentum in 1998 with growth, as measured by GNP, estimated to have been well in excess of 10% – an even faster pace than that seen in 1997.

Much of this strong growth originated in the export sector, as Ireland's favourable fundamentals helped IDA Ireland to continue its success in attracting inward investment to the Republic, although tax cuts also fuelled increased consumer spending. Despite this growth, assisted by falling mortgage interest rates and a reduction in the strength of sterling, inflation ended the year at less than 2%. In light of the strong export performance the balance of payments remained in a healthy surplus. Unemployment also fell sharply, to just above 7%, and inward migration continued to boost the available labour supply.

Interest rates declined sharply at the end of the year, as Ireland took its place among the eleven countries adopting the euro as the new national currency. The expectations of low interest rates continued to drive the property market strongly, although government measures to reduce the attractiveness of "speculative" property investment, implemented in April, took some of the steam out of the market.



REVIEW OF 1998

Ireland enters the Eurozone with its economy in good shape. The euro brings with it, however, a new set of challenges to maintain competitiveness and, in particular, it will be important to ensure that inflation remains at a level close to that of the other countries participating in EMU.

Whilst economic growth should remain buoyant in 1999, a slowing world, and in particular a slowing UK, economy will mean that growth will be oriented towards the domestic sectors as opposed to the export sector.

NORTHERN IRELAND

Sterling's strength, combined with high and rising interest rates in the first half of 1998, and declining consumer confidence, contributed to a slowing of the pace of economic growth during the year.

However, the importance of the public sector in Northern Ireland, and the strength of the Republic of Ireland economy (which is now an important export market), were enough to ensure that growth in the province was somewhat higher than in the rest of the UK. The impact of the strength of sterling on sales was further mitigated by the extent to which a large proportion of output from firms in Northern Ireland went to the Great Britain market.

The agri-sector received some good news during the year as the BSE-related EU ban on exports of beef was lifted. However, poor weather conditions and depressed international markets meant that the sector did not fare well during the year in overall terms and farm incomes suffered further decline.

Interest rates were raised during the first half of the year, as the Bank of England's Monetary Policy Committee took the view that wage pressures were still too high to allow the inflation target to be met. In the autumn, however, turmoil on the world financial markets in the wake of the Russian debt default, and new statistics which indicated that the economy had already slowed substantially, led to a series of interest rate cuts by year end.

The current sluggish environment in the UK indicates that its inflation target should be achieved over the next couple of years, suggesting that interest rates have the potential to fall further.

ULSTER BANK RETAIL

Ulster Bank Retail comprises a branch network of 91 full time outlets in Northern Ireland and 113 full time outlets in the Republic of Ireland, asset finance businesses and a series of related business units. A comprehensive range of retail banking products are provided to the personal and commercial (SME and mid-Corporate) markets in both Northern Ireland and the Republic of Ireland, including deposit and loan accounts, mortgages, insurance services, debit, credit, and commercial cards, invoice discounting and leasing.

Business performance for 1998 produced a pre-tax profit of £109.1m, an increase of 20% over 1997, with strong contributions from both parts of the island.



REVIEW OF 1998

Mortgage lending grew by 13.1% reflecting particularly house price growth in the expanding Republic of Ireland economy. Branch lending grew by 21.4% as a result of the strong demand for credit, whilst growth of 15.1% in customer resources was also experienced. The sharp strategic focus by the Bank on the SME market proved successful, with loan volumes up 22.2%.

In Northern Ireland a new unit, Ulster Bank Business Banking was created, drawing together the expertise of several businesses into a simple and cohesive structure for the future delivery of services to the corporate market.

Invoice discounting business, reflecting the increased acceptability of this type of finance, continued to grow in the Republic of Ireland, where lending increased by 26.9% on 1997. In Northern Ireland, against a background of challenging market conditions, lending increased by 21.7%.

Instalment Credit provided by Lombard & Ulster Limited in Northern Ireland experienced competitive pressures, particularly for franchise business. In the Republic of Ireland Instalment Credit provided by Lombard & Ulster Banking Limited grew by 56.7%, reflecting the impact of changes in legislation which resulted in car financing transferring from leasing to this type of product.

Ulster Bank Retail's position as a market leader for credit card business was maintained in Northern Ireland, underpinned by the success of the Air Miles user incentive. Ulster Bank Retail also continued to be the market leader for the Purchasing Card product to the corporate sector, evidenced by the Bank's appointment by HM Treasury as sole provider of procurement cards to the Northern Ireland Civil Service.

Ulster Bank Retail's finance and insurance business in the Republic of Ireland experienced growth in total income of 22.3% on 1997. In Northern Ireland, where the suite of NatWest Life and Gartmore products offer customers competitive choice and value, total income increased by 12.8%. Increased product offerings included Motor Insurance in Northern Ireland and an insurance product for the SME market in the Republic of Ireland, which have further enhanced customer choice.

During 1998, the opening of Strand Road office in Londonderry and Dungarvan branch, County Waterford, extended to 204 the total number of branch premises. Refurbishment and modernisation of existing branch premises also continued, with major projects completed at Enniskillen and Ballina amongst others.

To enhance customer service and further expand business opportunities, upgrade of the Ulster Bank Retail ATM network in both Northern Ireland and the Republic of Ireland was completed during 1998 to offer acceptance of the Visa and MasterCard global card schemes and also the Eurocard and Cirrus schemes.

During 1998 a comprehensive programme to introduce a new brand for Ulster Bank Retail commenced. The programme is well advanced and will continue during 1999 to prepare the face of the Retail Bank for the new Millennium.



REVIEW OF 1998

ULSTER BANK MARKETS

Ulster Bank Markets offers a comprehensive range of financial products and services to corporate, institutional and personal customers. The products and services include treasury and currency products (including euro facilities), fund management and administration services, domestic and international corporate lending, specialised finance, stockbroking and corporate finance.

Ulster Bank Markets reported profits of £46.3m in 1998. This figure is down £7m on 1997, £4.3m (8%) after the elimination of the sterling translation effect on this business, whose predominant domicile is in the Republic of Ireland. This principally relates to significant once-off expenditure incurred during the year in respect of the advent of EMU. These costs included operational and IT expenditure together with substantial investment in systems to reposition the treasury business.

Funds under management in Ulster Bank Investment Managers (UBIM) grew by 29% to IR£4.4bn over the year. This increase was helped by significant new business wins as a result of the continuing very strong performance returns of all funds during the year. UBIM retained its number one position in the annual CPMS table of Investment Manager performance in 1998 for the second year in a row, an excellent outcome. The personal investment department grew strongly and one of its products, the ISEQ Tracker Bond series, was adjudged by Merrill Lynch to be the 'most interesting development' in this sector of the Irish market in 1998.

Ulster Bank Investment Services, our IFSC-based fund administration business, saw its funds under administration continue to grow to IR£3.9bn, an excellent 70% increase over the previous year. Continued strong inflows from existing customers, including global investment management subsidiaries of the NatWest Group, contributed to this growth.

Corporate Banking, Dublin had a record year which included a number of high profile and innovative financing structures including an IR£100m syndicate underwriting for a major Irish corporate to fund an overseas acquisition. A record number of significant relationships were established in 1998, reflecting a move into new and developing sectors which contributed to strong volume growth and improved margins. In addition, the year marked increased activity in the leveraged debt market including two of the largest MBO's completed in the Republic of Ireland during the year. In Northern Ireland, Corporate Banking, Belfast continued to record strong volume growth. During the year under review, the unit played a significant role in the development of the Private Finance Initiative. Together with other Group companies operating in that market, the team now forms part of Ulster Bank Business Banking in Northern Ireland. Now part of Ulster Bank Retail, this new unit has a market leading share and will provide a single brand and delivery interface to our customers.

Our IFSC-based specialised finance business, Ulster International Finance, is active in more markets than ever and developed a number of innovative financial structures during the year. Going forward, the business will be re-branded as Ulster Bank Markets Specialised Finance to reflect the broader business scope of the unit's operations and its increased focus on domestic non-tax based financial structuring.

The Inward Investment unit established in 1997 achieved a large number of mandates for the Ulster Bank Group. The favourable fiscal environment and the availability of skilled labour have contributed to the high levels of interest being demonstrated by overseas corporates in setting up operations in Ireland and, as a Group, we are in a strong position to service the needs of incoming companies with our comprehensive and competitive range of products.

Group Treasury performed strongly, with revenues ahead of plan, although down on the buoyant 1997 outcome because of the above mentioned costs and lower derivative business. The division has repositioned itself to ensure that it continues to be at the cutting edge of product and technology innovation to meet the challenges that lie ahead. Group Treasury has been working closely with its fellow NatWest Group members, Global Financial Markets and Greenwich NatWest, on a number of initiatives to bring to its customer base.

NCB Group produced another excellent set of results and continues to play a leading market role in bonds, equities and equities research. The NCB equity team was recently voted the number one stockbroker in Ireland in 1998 in a poll of the 150 largest international fund managers in the Reuters Survey 1999. NCB Corporate Finance played an active and wide-ranging role in flotation, fundraising and merger and acquisition work in Ireland during 1998. The general buoyancy in the economy has ensured a strong pipeline of projects for the year ahead.

GROUP TOPICS

Work on our new Group Headquarters building in Belfast progressed on schedule during 1998 and it is anticipated that the first occupants will move to the building in April 1999. This major investment constitutes a significant vote of confidence in the Group by our parent NatWest. This prestigious office development enables us to bring together our Head Office and Northern Ireland Group operations from 12 different sites to a single location and will facilitate improved levels of service and value to all our customers.

In November 1998 we completed the acquisition of Cunningham Coates, the largest private client stockbroker in Northern Ireland. This acquisition offers the Group a unique opportunity to capture a major share of the high net-worth sector in Northern Ireland and will complement our existing businesses in Northern Ireland in the same way that NCB Group did in the Republic of Ireland.

In March 1998, we launched our new Group Vision, that:

“Through the RELENTLESS PURSUIT OF EXCELLENCE, we will BE the PREFERRED Financial Services Group on the island of Ireland”.

Underpinning this Vision, we introduced a new Group Operating Philosophy, to ensure that “Excellence is at the core of EVERYTHING we do”. This philosophy is central to every aspect of our businesses, both as regards our relationships with people and our management of processes.

In Ulster Bank Group, we have developed seven core Organisational Values, which are relevant, realistic and acceptable to everyone in the organisation. These were developed over a twelve month

REVIEW OF 1998

period of extensive consultation with staff, who confirmed the appropriateness of the approach for Ulster Bank Group, both its staff and, very importantly, its customers.

OUR CORE GROUP VALUES

- Added Value for our Customers
- Leadership by Example
- Fair and Honest
- Shared Purpose and Individual Responsibility
- Innovation and Creativity
- Our People
- Performance and Achievement

We also recognised that positive change will only take place if people understand what this means for them and are able to participate fully in shaping the future. Therefore in September 1998 we formally launched our PVIA (Putting Values Into Action) Programme.

PVIA is a two day developmental workshop where all staff are given the opportunity to find their personal fit with the Values of Ulster Bank Group and to focus upon areas for personal development that will achieve improved satisfaction and contribution levels. By the end of 1998, 1400 staff had completed PVIA and the remaining personnel will attend during 1999.

The euro was introduced in the Republic of Ireland on 1 January 1999. Following extensive work, Ulster Bank Group was fully prepared across all of its business units. From 1 January we were in a position to offer a full range of euro products and services to our customers.

Preparations for the millennium are also well in hand, with a view to our being fully millennium compliant for the Year 2000. Our work in this area also involves making our customers aware of the issues that Year 2000 may have for their business.

In a 1998 Environmental Management survey by the ARENA network of the top 100 companies in Northern Ireland, Ulster Bank finished first in the financial services sector.

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



REVIEW OF 1998

APPOINTMENTS

During the year Ronnie Kells OBE retired as Group Chief Executive, to be succeeded by Martin Wilson. Ronnie Kells played a key role over many years in shaping what the Group is today and the value of his contribution is reflected in the success that the Group enjoyed under his leadership. We are delighted that his experience and expertise have not been lost to the Group as he remains on the Ulster Bank Board as a non-executive director.

Mr Jim Gallagher also retired from his position as a non-executive director. We were fortunate to have benefited from his wisdom and wide experience and his contribution was deeply valued.

STAFF

In conjunction with the work carried out around Group Vision and Values, a significant amount of energy was devoted to the development and growth of our staff. This work, combined with the success of our internal Appraisal systems, has culminated in our being awarded 'Excellence Through People' in the Republic of Ireland and 'Investors in People' in Northern Ireland.

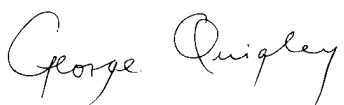
Ulster Bank has gained Investors In People accreditation for Retail, Group Head Office, Lombard and Ulster Limited and Commercial Services in Northern Ireland and Excellence Through People accreditation for Retail, Ulster Bank Markets, Lombard & Ulster Banking Limited and Commercial Services in the Republic of Ireland. Ulster Bank Group is the first major financial services institution on the island of Ireland to gain these accreditations across such a wide range of businesses. We believe this is a clear reflection of the calibre, commitment and contribution, at all levels, of the people who make up Ulster Bank Group.

In November 1998, the Opportunity 2000 Northern Ireland awards were held in Belfast and Ulster Bank Group were the best placed financial services organisation and overall runners-up. Our performance at the event was highly praised by the judging team, with specific reference to our Dignity at Work Programme and PVIA.

THE FUTURE

The pace of change in today's business environment seems set to accelerate and, however creditable our past performance, there is no room whatsoever for complacency. In the financial services industry changing customer needs, new delivery channels and the challenges of a post euro environment underline the need for constant improvement and innovation. The ability to be adaptable, to manage change effectively and to grasp opportunities with fleetness and flexibility is essential.

Recognising these realities, Ulster Bank is determined to put customers first, to maintain its competitive position and thereby enhance its standing and strength in the financial services sector throughout the island.



SIR GEORGE QUIGLEY
Chairman



MARTIN J. WILSON
Group Chief Executive

Belfast
12 February 1999

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 NCB Stockbrokers Limited, which is regulated for investment business in the United Kingdom by the Securities and Futures Authority) 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. Compensation, where appropriate, is payable in the Republic of Ireland under the Investor Compensation Act 1998.

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 euros, up to a maximum payment per depositor of €20,000 for United Kingdom members and €20,000 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 Limited, 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 1998.

Results

The Group profit before taxation was £155.4 m compared to £144.2m for the previous year.

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

The Directors recommend a final ordinary dividend of £46m, which, together with the interim dividend of £10m, represents an increase of 100% on the 1997 total dividend of £28m.

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, on pages 2 to 12, comments on the business of the Group for the year to 31 December 1998, reflects on recent events and outlines future developments.

Corporate Governance

In accordance with the Bank's status as a wholly owned subsidiary of National Westminster Bank Plc, the Directors have adopted all appropriate aspects of the Code of Best Practice as recommended by the Report of the Committee on Financial Aspects of Corporate Governance (The Hampel Committee).

Directorate

The current members of the Board are as shown on page 67. Mr R D Kells retired as Group Chief Executive on 16 April 1998, but remained on the board as a non-executive director. Mr J R Gallagher retired as a director on 16 April 1998.

The Directors retiring by rotation at the Annual General Meeting, in accordance with the Articles of Association, will be Messrs Gray and McKie. Being eligible, both intend to offer themselves for re-election.

Directors' interests

A table showing the interest of Directors in the Ordinary shares of National Westminster Bank Plc is in note 38 to the financial statements.

Employees

The average number of persons employed each week by the Group was 4,916. Of these, 2,318 worked wholly or mainly in the United Kingdom and the remuneration paid or payable to them was £50.2m.

Employment of Disabled Persons

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

Equal Opportunities

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

Employee Involvement/Participation

The methods used by the Group to communicate directly with staff during 1998 included meetings, circulars and other information sheets, leaflets, videos, telephone-hotlines and in-house magazines. The Group also carried out a comprehensive Staff Opinion Survey, where every member of staff was invited to respond to questions covering a range of organisational issues. The findings from this have enabled the Group to build a much clearer picture of organisational strengths and development needs. The results from this survey were communicated in full to the staff via the internal communication 'In Pursuit of Excellence' and action plans are now in place to address the key issues.

The Bank was also successful in retaining the Quality Mark awarded by Excellence Ireland. The 1998 assessment was made using the Business Excellence Framework.

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

REPORT OF THE DIRECTORS

Year 2000

In common with other businesses in the banking and financial services industry, the Group uses computer systems which may be affected by problems resulting from the use of only two digits to identify the year in date fields ('Year 2000' problems). These systems were designed and developed without necessarily considering the impact of the forthcoming change in the century and may, as a result, fail to operate reliably when handling dates after 31 December 1999.

The Group has established a Millennium Programme to review, identify, correct and test systems to ensure that no major failures of functionality arise as a result of the Year 2000 problems, and to identify and correct potential problems in embedded chips, which are used in a wide range of equipment including alarms and entry systems, process control systems and power generators.

The Group's customers, suppliers, counterparties and other financial markets participants are also likely to be affected by Year 2000 problems, and failure by them to resolve the issues might give rise to increased credit losses, settlement failures and breakdown in payment systems affecting the Group which could in turn have a material adverse effect on the Group's financial condition or results of operations. The Group is identifying those organisations that potentially represent significant risks and requesting information from them to be able to assess the extent of such risks.

The Group currently believes that completion of these programmes will be sufficient to ensure that no significant disruption of its business arises as a result of Year 2000 problems. The overall cost of carrying out investigative and modification work to computer systems to address these issues is currently estimated at £4.0m, of which £3.0m has been incurred up to 31 December 1998.

Economic and Monetary Union (EMU)

On 1 January 1999 eleven member states of the European Union, including the Republic of Ireland, replaced their national currencies with a new currency, the euro. Throughout the participating countries the previous national currencies will continue to be used as sub-divisions of the euro until the end of the transitional period on 31 December 2001. Euro notes and coins will be introduced by 1 January 2002 and the changeover will be completed by 1 July 2002. The UK decided not to join EMU in the first wave of participating member states but has left open the possibility of joining later.

In 1996 the Group began a major EMU conversion programme. The initial major objective was to ensure that the Group's businesses were ready to trade and serve its customers in euros from January 1999. These major conversion programmes proceeded without difficulty and the Group was fully ready to deal in euros when the markets opened on 4 January 1999.

Work is now continuing to prepare for the introduction of euro notes and coins in the Republic of Ireland on 1 January 2002 to complete the transition of the Group's business in that jurisdiction to a euro base. In addition the Group is continuing to prepare for the possibility of the UK deciding to join later.

The Group incurred costs of £4.9m to the end of 1998 on EMU preparation and conversion and expects to spend a further £1.2m in 1999 in preparing for the next phase of EMU conversion.

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 apply to all our dealings. 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.

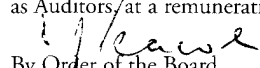
At 31 December 1998, the amount owed to trade creditors by the group and the company, expressed as a proportion of the amounts invoiced by suppliers during the year then ended, was 11 and 3 days' worth respectively.

Contributions

During the year the Group made donations totalling £73,632 to charitable organisations in the United Kingdom.

Auditors

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


By Order of the Board

D J Peacock
Secretary

47 Donegall Place
Belfast
BT1 5AU

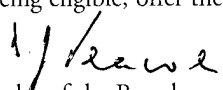
12 February 1999



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Ulster Bank Limited will be held at the Head Office of the Bank, 47 Donegall Place, Belfast on 15 April 1999 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 1998
2. To declare a final dividend
3. To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration
4. To re-elect Directors
Messrs H M V Gray and P H McKie, CBE retire from the Board pursuant to Article 74 and, being eligible, offer themselves for re-election.


By Order of the Board

D J Peacock

Secretary

47 Donegall Place
Belfast
BT1 5AU

12 February 1999

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

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

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

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

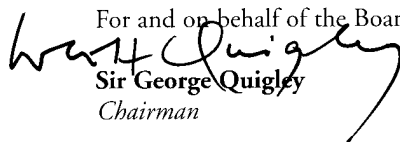
In devising internal financial controls the Group has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the costs of control. The identification and evaluation of the key business risks facing the Group is undertaken by the Group's Risk Policy Committee.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

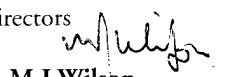
The system of internal financial control is subject to scrutiny by management and internal audit. The Audit and Compliance Committee of the Board, all of whose members are non-executive directors, meets periodically with internal audit to discuss the nature, scope and results of its work. The Committee has reviewed the effectiveness of the Group's system of internal financial control that operated during 1998.

The Bank and certain of its Northern Ireland subsidiary undertakings are subject to the requirements of the Financial Services Authority 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 Financial Services Authority. Executive management and the directors consider the Reporting Accountants' reports and discuss them with the Financial Services Authority. In the Republic of Ireland, certain subsidiaries are periodically reviewed by the Central Bank of Ireland. Reports resulting from these reviews are considered by management.

KPMG, the independent auditors appointed by the ordinary shareholders of the Bank to audit the accounts, 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 controls. 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


M J Wilson
Group Chief Executive


I J Laird
Group Financial Controller

12 February 1999

REPORT OF THE AUDITORS

TO THE MEMBERS OF ULSTER BANK LIMITED

We have audited the financial statements on pages 20 to 58.

Respective Responsibilities of Directors and Auditors

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

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



KPMG

*Chartered Accountants
Registered Auditors
Belfast*

12 February 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT – for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
	2, 21		as restated
Interest receivable:			
– interest receivable and similar income arising from debt securities		56,920	59,218
– other interest receivable and similar income	3	567,640	531,662
		624,560	590,880
Interest payable		(369,370)	(347,751)
NET INTEREST INCOME		255,190	243,129
Dividend income from equity shares		371	772
Fees and commissions receivable		107,235	90,384
Fees and commissions payable		(17,961)	(17,158)
Dealing profits		43,054	48,049
Other operating income		2,847	3,469
OPERATING INCOME		390,736	368,645
Administrative expenses	4	(178,037)	(171,918)
Depreciation and amortisation	5	(20,386)	(20,344)
Other operating charges		(21,094)	(20,377)
Provisions for bad and doubtful debts	15	(15,836)	(11,813)
OPERATING EXPENDITURE		(235,353)	(224,452)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	155,383	144,193
Tax on profit on ordinary activities	7	(41,881)	(37,171)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		113,502	107,022
Minority interests – equity		(703)	(797)
PROFIT FOR THE FINANCIAL YEAR	8	112,799	106,225
Dividends on equity shares	9	(56,000)	(28,000)
RETAINED PROFIT FOR THE YEAR	31	56,799	78,225

All items dealt with in arriving at operating profit for 1998 and 1997 relate to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES – for the year ended 31 December 1998

	Notes	1998 £000	1997 £000 as restated
	2,21		
Profit for the financial year		112,799	106,225
Other recognised gains/(losses)			
– exchange rate translation differences	31	14,458	(38,398)
Total recognised gains for the year		127,257	67,827
Prior year adjustment	2, 21	9,895	
Total gains recognised since last annual report		137,152	

NOTE OF HISTORICAL COST PROFITS AND LOSSES – for the year ended 31 December 1998

In 1998 and 1997, there was no material difference between profit on ordinary activities before taxation reported in the profit and loss account and profit on ordinary activities before taxation on an unmodified historical cost basis.

**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS –
for the year ended 31 December 1998**

	Notes	1998 £000	1997 £000 as restated
	2,21		
Retained profit for the year		56,799	78,225
Other recognised gains/(losses)			
– exchange rate translation differences	31	14,458	(38,398)
Net increase in shareholders' funds		71,257	39,827
Opening shareholders' funds – equity interests (originally £533,744,000 before adding prior year adjustment of £9,895,000)		543,639	503,812
Closing shareholders' funds – equity interests		614,896	543,639

CONSOLIDATED BALANCE SHEET – at 31 December 1998

	Notes	1998 £000	1997 £000
ASSETS	2, 21		as restated
Cash and balances at central banks	11	251,042	70,598
Items in the course of collection from other banks		104,826	88,999
Treasury and other eligible bills	12	100,993	980
Loans and advances to banks	13	2,190,136	2,707,379
Loans and advances to customers	14	5,483,930	4,777,913
Operating lease assets	17	16,659	3,586
Debt securities	18	865,704	936,013
Equity shares	19	3,415	2,263
Intangible fixed assets	21	19,553	9,895
Tangible fixed assets	22	137,330	116,336
Other assets	23	693,598	595,472
Prepayments and accrued income		84,232	82,416
TOTAL ASSETS	10	9,951,418	9,391,850
LIABILITIES			
Items in the course of transmission to other banks		12,569	16,962
Deposits by banks	24	1,649,672	2,771,387
Customer accounts	25	6,257,926	4,830,212
Debt securities in issue	26	202,073	148,641
Other liabilities	27	1,016,198	888,272
Accruals and deferred income		132,523	109,340
Provisions for liabilities and charges:			
– deferred taxation	28	24,067	42,534
– other provisions for liabilities and charges		236	252
Subordinated liabilities:			
– undated loan capital	29	15,000	15,000
– dated loan capital	29	22,000	22,000
Minority interests – equity		4,258	3,611
Called up share capital	30	105,000	105,000
Revaluation reserve	31	11,098	10,904
Profit and loss account	31	498,798	427,735
Shareholders' funds – equity interests		614,896	543,639
TOTAL LIABILITIES	10	9,951,418	9,391,850
MEMORANDUM ITEMS	34		
Contingent liabilities			
– acceptances and endorsements		3,274	4,222
– guarantees and assets pledged as collateral security		137,375	144,395
– other contingent liabilities		299,821	216,222
		440,470	364,839
Commitments:			
– other commitments		1,782,733	1,874,378

These financial statements were approved by the Board of Directors on 12 February 1999 and signed on its behalf by

Sir George Quigley
M J Wilson
I J Laird

Chairman
Group Chief Executive
Group Financial Controller


BALANCE SHEET – at 31 December 1998

	Notes	1998 £000	1997 £000
ASSETS			
Cash and balances at central banks	11	251,040	70,595
Items in the course of collection from other banks		104,826	88,999
Treasury and other eligible bills	12	9,713	980
Loans and advances to banks	13	1,718,796	2,047,270
Loans and advances to customers	14	3,173,498	2,990,562
Debt securities	18	653,321	717,073
Equity shares	19	165	298
Shares in Group undertakings	20	68,247	61,402
Tangible fixed assets	22	117,897	98,628
Other assets	23	12,714	21,143
Prepayments and accrued income		53,235	58,240
TOTAL ASSETS	10	6,163,452	6,155,190
LIABILITIES			
Items in the course of transmission to other banks		12,569	16,962
Deposits by banks	24	1,331,504	2,189,496
Customer accounts	25	4,027,757	3,256,081
Debt securities in issue	26	117,325	10,000
Other liabilities	27	331,206	280,891
Accruals and deferred income		29,585	112,858
Provisions for liabilities and charges:			
– deferred taxation	28	1,260	(367)
Subordinated liabilities			
– undated loan capital	29	30,000	30,000
– dated loan capital	29	28,707	28,479
Called up share capital	30	105,000	105,000
Revaluation reserve	31	11,098	10,904
Profit and loss account	31	137,441	114,886
Shareholders' funds – equity interests		253,539	230,790
TOTAL LIABILITIES	10	6,163,452	6,155,190
MEMORANDUM ITEMS			
Contingent liabilities	34		
– acceptances and endorsements		3,274	4,222
– guarantees and assets pledged as collateral security		681,430	434,941
– other contingent liabilities		122,957	102,158
		807,661	541,321
Commitments:			
– other commitments		1,158,593	1,189,751

These financial statements were approved by the Board of Directors on 12 February 1999 and signed on its behalf by

Sir George Quigley
M J Wilson
I J Laird

Chairman
Group Chief Executive
Group Financial Controller

[Handwritten signatures]

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

1 BASIS OF CONSOLIDATION

The Group financial statements comprise the financial statements of the Bank for the year ended 31 December 1998 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**Change of accounting policy and presentation**

The Group's accounting policy for goodwill has been changed in line with Financial Reporting Standard No.10 'Goodwill and Intangible Assets'. Purchased goodwill is capitalised, classified as an asset and amortised over its useful economic 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 (including any unamortised goodwill) with the proceeds received. Previously the Group's policy was for goodwill to be either deducted from profit and loss account reserves or capitalised. Goodwill eliminated from reserves in prior periods has been reinstated by means of a prior year adjustment and comparatives restated. The effects of this change of policy on the Group's profit and loss account and balance sheet are set out in note 21.

The principal accounting policies are set out below.

(i) Accounting convention

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

(ii) Goodwill

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

(iii) 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.

(iv) 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.

(v) 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.

(vi) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to sterling at rates current on 31 December. The results of overseas subsidiary and associated undertakings are translated at average rates of exchange for the year. Exchange differences arising from translation of opening net assets of overseas subsidiary and associated undertakings and from the restatement of their results from average to year-end rates are taken to reserves together with exchange differences arising on related foreign currency borrowings. All other exchange differences are included in operating profit.



NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

(vii) 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.

(viii) Leases

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

(ix) 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:

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

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) Netting

Debit and credit balances are offset where they do not constitute separate assets and liabilities of the Group under arrangements that give a legally enforceable right of set-off which would survive the insolvency of the other party.

(xv) Sale and repurchase transactions

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

(xvi) Fees receivable

Fees receivable that represent a return for services provided are brought into profit when the related service is performed. Certain front-end fees relating to loans and advances are, subject to yield criteria, taken to profit over the period of the loan.

(xvii) Cash flow statement

The Bank is a wholly owned subsidiary of National Westminster Bank Plc and the cash flows of the Bank are included in the consolidated Group cash flow statement of National Westminster Plc. Consequently the Bank is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	1998	1997
	£000	£000
Other interest receivable and similar income includes:		
Operating lease rentals	3,351	190
Depreciation on operating lease assets (note 17)	(1,865)	(120)
	1,486	70
4. ADMINISTRATIVE EXPENSES	1998	1997
	£000	£000
Staff costs:		
– wages and salaries	116,801	111,156
– social security costs	8,581	8,677
– other pension costs (note 32)	2,597	5,890
	127,979	125,723
Other administrative expenses	50,058	46,195
	178,037	171,918
5. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
	£000	£000
		(As restated)
Is stated after:		
(A) INCOME		
(i) Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	546,750	558,367
(ii) Profits less losses on securities dealing	7,562	10,618
(iii) Profits less losses on disposal of investment securities	337	1,373
(iv) Rents receivable	493	408
(B) EXPENDITURE		
(i) Charges incurred with respect to subordinated liabilities	2,926	2,536
(ii) Operating lease rentals:		
– property	7,873	8,237
– hire of computers and equipment	342	1,766
(ii) Profit sharing charges	9,199	8,228
(iv) Auditors' remuneration:		
– the Group	272	275
– the Bank	63	62
(v) Group fees paid to auditors for non-audit work:		
– United Kingdom	576	172
– Republic of Ireland	43	114
(vi) Depreciation and amortisation		
– Tangible fixed assets	19,019	19,379
– Intangible fixed assets	1,367	965



NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

6. EMOLUMENTS OF DIRECTORS	1998 £000	1997 £000
Total emoluments received by Directors	1,159	1,170

	1998	1997
Number of directors to whom retirement benefits are accruing under defined benefit schemes	6	6

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.

The total emoluments of the highest paid Director were **£255,953** (1997 £230,418). At 31 December 1998 the accrued pension, under a defined benefit scheme, for the highest paid Director was £68,169. During the year the highest paid Director exercised share options under the savings related share option scheme and received shares under the long term incentive scheme (MTEP).

Details of share options exercised by Directors, and shares received by Directors under MTEP, are separately disclosed in note 38.

7. TAX ON GROUP PROFIT ON ORDINARY ACTIVITIES	1998 £000	1997 £000
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The taxation charge based on the profits for the year is made up as follows:

United Kingdom corporation tax at 31% (1997 – 31.5%)		
– current year	40,565	20,297
– prior year	281	623
Relief for double taxation	(13,444)	(10,875)
	27,402	10,045
Republic of Ireland corporation tax	33,431	13,358
Duty on tax based income	172	226
Deferred taxation		
– current year	(20,795)	17,016
– prior year	1,671	(3,474)
	41,881	37,171

8. PROFIT DEALT WITH IN THE FINANCIAL STATEMENTS OF THE BANK

Of the profit for the financial year, £73,194,000 (1997 £53,424,000) 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.

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

9. DIVIDENDS	1998 £000	1997 £000
Equity dividends on ordinary shares:		
Interim (paid)	10,000	–
Final (proposed)	46,000	28,000
	56,000	28,000

10. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	1998 Group £000	1998 Bank £000	1997 Group £000 as restated	1997 Bank £000
Denominated in sterling	3,891,444	3,029,284	3,626,087	3,053,175
Denominated in other currencies	6,059,974	3,134,168	5,765,763	3,102,015
Total assets	9,951,418	6,163,452	9,391,850	6,155,190
Denominated in sterling	3,910,445	3,094,314	3,763,234	3,085,583
Denominated in other currencies	6,040,973	3,069,138	5,628,616	3,069,607
Total liabilities	9,951,418	6,163,452	9,391,850	6,155,190

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

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Other Securities:				
– treasury bills and similar securities	100,993	9,713	980	980

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

13. LOANS AND ADVANCES TO BANKS

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Repayable on demand	188,417	170,203	188,684	79,421
Other loans and advances by remaining maturity:				
– 3 months or less	1,564,124	1,238,040	2,005,324	1,540,311
– 1 year or less but over 3 months	354,844	129,556	450,134	239,366
– 5 years or less but over 1 year	82,505	104,168	29,677	26,367
– over 5 years	246	76,829	33,560	161,805
	2,190,136	1,718,796	2,707,379	2,047,270
Amounts include:				
Subordinated loans	–	8,500	–	8,500
Due from parent and fellow subsidiary undertakings	425,763	78,813	670,612	310,621
Due from subsidiary undertakings:				
– subordinated		8,500		8,500
– unsubordinated		1,024,562		985,117
		1,033,062		993,617

Loans and advances to banks which have been offset with related borrowings amount to – Group: **£454,989,000**, Bank: **£454,989,000** (1997 Group: £602,441,000, Bank: £342,245,000). Of these amounts **£454,989,000** (1997 £342,245,000) relate to transactions with the parent company.

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

14. LOANS AND ADVANCES TO CUSTOMERS

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Remaining maturity:				
– on demand or at short notice	883,831	853,284	833,601	762,740
– 3 months or less but not on demand or short notice	845,095	401,911	655,761	392,219
– 1 year or less but over 3 months	790,570	325,477	770,514	279,633
– 5 years or less but over 1 year	1,714,622	614,609	1,375,086	719,957
– over 5 years	1,303,679	996,934	1,194,333	850,033
General and specific bad and doubtful debt provisions	(53,867)	(18,717)	(51,382)	(14,020)
	5,483,930	3,173,498	4,777,913	2,990,562

Amounts are unsubordinated
and include:

Due from parent and fellow subsidiary undertakings	41,849	41,686	66,469	63,153
Due from subsidiary undertakings		84,175		330,520

Group amounts of loans and advances to customers include **£410,043,000** (1997 £405,690,000) receivable under finance leases and **£459,459,000** (1997 £415,403,000) in respect of instalment credit agreements. Amounts in respect of finance lease receivables which have been offset with related borrowings amount to £48,989,000 (1997 £47,676,000).

15. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	1998			1997		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Group						
At 1 January	42,424	8,958	51,382	46,390	6,879	53,269
Exchange adjustments	1,024	228	1,252	(4,715)	(632)	(5,347)
Charge against profits	12,995	2,841	15,836	9,102	2,711	11,813
Amounts written off	(19,400)	–	(19,400)	(13,749)	–	(13,749)
Recoveries	4,797	–	4,797	5,396	–	5,396
At 31 December	41,840	12,027	53,867	42,424	8,958	51,382
Amounts held in respect of loans and advances to:						
– customers			53,867			51,382



NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

15. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)

	1998			1997		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
BANK						
At 1 January	6,364	7,656	14,020	6,269	5,197	11,466
Exchange adjustments	119	151	270	(443)	(431)	(874)
Charge against profits	8,200	2,101	10,301	2,898	2,890	5,788
Amounts written off	(10,010)	–	(10,010)	(7,234)	–	(7,234)
Recoveries	4,136	–	4,136	4,874	–	4,874
At 31 December	8,809	9,908	18,717	6,364	7,656	14,020
Amounts held in respect of Loans and advances to:						
– customers			18,717			14,020

16. NON PERFORMING ADVANCES

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Non performing advances to customers				
Gross loans and advances	85,414	43,414	81,988	37,239
Provision	(37,195)	(8,809)	(36,865)	(6,364)
	48,219	34,605	45,123	30,875

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

17. OPERATING LEASE ASSETS

	Cost £000	Accumulated depreciation £000	Carrying value £000
Group:			
At 1 January 1998	3,706	(120)	3,586
Additions	15,378	–	15,378
Disposals	(543)	103	(440)
Depreciation charge for the year	–	(1,865)	(1,865)
At 31 December 1998	18,541	(1,882)	16,659

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

18. DEBT SECURITIES

The carrying value of debt securities is as follows:

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Investment securities:				
Issued by public bodies				
– government securities	360,621	330,585	401,785	375,136
Issued by other issuers				
– other debt securities	117,540	107,720	266,006	255,718
	478,161	438,305	667,791	630,854
Other securities:				
Issued by public bodies				
– government securities	35,857	–	91,220	–
Issued by other issuers				
– bank and building society certificates of deposits	349,040	214,430	140,290	85,000
– other debt securities	2,646	586	36,712	1,219
	387,543	215,016	268,222	86,219
	865,704	653,321	936,013	717,073
Amounts are unsubordinated and include:				
Due from parent and fellow subsidiary undertakings	23,561	5,230	13,821	–
Debt securities become due:				
– within 1 year	419,936	283,039	279,809	214,765
– 1 year and over	445,768	370,282	656,204	502,308
	865,704	653,321	936,013	717,073

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

18. DEBT SECURITIES (CONTINUED)

The market value of investment debt securities is as follows:

	1998 Group Market value £000	1998 Bank Market value £000	1997 Group Market value £000	1997 Bank Market value £000
Investment securities:				
Issued by public bodies				
– government securities	382,704	350,613	409,968	383,008
Issued by other issuers				
– other debt securities	118,289	108,468	275,021	264,733
	500,993	459,081	684,989	647,741

	1998 Carrying value £000	1998 Market value £000	1997 Carrying value £000	1997 Market value £000
GROUP				
Investment securities:				
– listed on a recognised UK exchange	196,346	202,029	362,514	371,838
– listed elsewhere	281,815	298,964	296,201	303,991
– unlisted	–	–	9,076	9,160
	478,161	500,993	667,791	684,989

Other debt securities:				
– listed other than on a recognised UK exchange	37,917		126,713	
– unlisted	349,626		141,509	
	387,543		268,222	

BANK				
Investment securities:				
– listed on a recognised UK exchange	171,769	176,589	337,800	347,126
– listed elsewhere	266,536	282,492	283,978	291,455
– unlisted	–	–	9,076	9,160
	438,305	459,081	630,854	647,741

Other debt securities:				
– unlisted	215,016		86,219	

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

18. DEBT SECURITIES (CONTINUED)

Investment securities

	Cost	Amortised discounts/ (premiums)	Carrying value
	£000	£000	£000
GROUP			
At 1 January 1998	673,496	(5,705)	667,791
Exchange adjustments	10,062	(400)	9,662
Acquisitions	78,130	–	78,130
Securities sold or matured	(280,798)	7,184	(273,614)
Amortisation of discounts and premiums	–	(3,808)	(3,808)
At 31 December 1998	480,890	(2,729)	478,161
BANK			
At 1 January 1998	636,409	(5,555)	630,854
Exchange adjustments	8,963	(399)	8,564
Acquisitions	66,906	–	66,906
Securities sold or matured	(271,323)	7,005	(264,318)
Amortisation of discounts and premiums	–	(3,701)	(3,701)
At 31 December 1998	440,955	(2,650)	438,305
	1998	1998	1997
	Group	Bank	Group
	£000	£000	£000
Unamortised (premiums)/discounts on investment debt securities	(10,136)	(10,280)	(3,989)
Assets subject to sale and repurchase transactions			
	1998	1998	1997
	Group	Bank	Group
	£'000	£'000	£000
Debt securities – carrying value	89,353	31,932	236,798

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

19. EQUITY SHARES

	1998 Carrying value £000	1998 Market value £000	1997 Carrying value £000	1997 Market value £000
GROUP				
Investment securities:				
– listed on a recognised UK exchange	1	1	1	1
– listed elsewhere	808	2,150	888	1,720
– unlisted	2,160	2,160	578	577
	2,969	4,311	1,467	2,298

Other Securities:

– listed other than on a recognised UK exchange	446		796	
	3,415		2,263	

BANK

Investment securities:				
– listed on a recognised UK exchange	1	1	1	1
– unlisted	164	164	297	297
	165	165	298	298

Investment securities	Cost £000	Provisions £000	Carrying Value £000
GROUP			
At 1 January 1998	1,957	(490)	1,467
Exchange adjustments	102	–	102
Acquisitions	1,638	–	1,638
Disposals	(442)	204	(238)
At 31 December 1998	3,255	(286)	2,969

BANK

At 1 January 1998	788	(490)	298
Exchange adjustments	1	–	1
Disposals	(338)	204	(134)
At 31 December 1998	451	(286)	165

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

20. SHARES IN GROUP UNDERTAKINGS

	Cost and carrying value £000	
THE BANK		
At 1 January 1998		61,402
Exchange adjustments		189
Acquisitions		6,658
Disposals		(2)
At 31 December 1998		68,247
Subsidiary undertakings comprise:	1998 £000	1997 £000
– banks	10,642	10,468
– other	57,605	50,934
Total – all unlisted	68,247	61,402

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

UNDERTAKING	NATURE OF BUSINESS	INCORPORATED IN
Cunningham Coates Ltd	Stockbroking, investment management	Northern Ireland
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 Limited where the holding is 90.9%, JCB Credit Limited where the holding is 75%, and Ulster Bank Insurance Services Limited where the holding is 51%.

(c) In November 1998 the Bank acquired the whole of the issued share capital of Cunningham Coates Limited, a company whose principal activities include stockbroking and investment management. The Group has used acquisition accounting to account for the purchase.



NOTES TO THE FINANCIAL STATEMENTS – *for the year ended 31 December 1998*

21. INTANGIBLE FIXED ASSETS

	1998 £000	1997 £000 as restated	
GOODWILL			
GROUP			
COST			
At 1 January	13,493	15,448	
Exchange adjustment	669	(1,955)	
Arising on acquisitions during the year	5,678	–	
Adjustment to goodwill on acquisition made in 1994	4,858	–	
At 31 December	24,698	13,493	
AMORTISATION			
At 1 January	3,598	3,089	
Exchange adjustment	180	(456)	
Charge for the year	1,367	965	
At 31 December	5,145	3,598	
Net Book Value at 31 December	19,553	9,895	
Effect of change of accounting policy for goodwill	1998 £000	1997 £000	1996 £000
Profit and loss account:			
Profit before tax on previous basis	156,750	145,158	135,788
Goodwill amortisation	1,367	965	1,068
Profit before tax on new basis	155,383	144,193	134,720
Balance Sheet:			
Increase in intangible fixed assets and shareholders' funds	19,553	9,895	12,359

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

22. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leases of 50 years or more unexpired £000	Leases of 50 years or less unexpired £000	Computer and other equipment £000	Total £000
GROUP					
Cost or valuation					
At 1 January 1998	41,436	8,898	6,772	129,010	186,116
Exchange adjustments	838	165	158	2,687	3,848
Reclassifications	(106)	1	105	–	–
Additions	11,855	146	380	26,499	38,880
Subsidiaries acquired	–	–	–	605	605
Disposals	–	(97)	(7)	(12,409)	(12,513)
At 31 December 1998	54,023	9,113	7,408	146,392	216,936
Accumulated depreciation					
At 1 January 1998			1,635	68,145	69,780
Exchange adjustments			41	1,379	1,420
Disposals			(1)	(10,612)	(10,613)
Charge for the year			584	18,435	19,019
At 31 December 1998			2,259	77,347	79,606
Net book value:					
– at 31 December 1998	54,023	9,113	5,149	69,045	137,330
– at 31 December 1997	41,436	8,898	5,137	60,865	116,336
BANK					
Cost or valuation					
At 1 January 1998	41,436	8,483	4,459	99,170	153,548
Exchange adjustments	838	150	90	1,710	2,788
Reclassifications	(106)	1	105	–	–
Additions	11,855	146	144	21,056	33,201
Disposals	–	(97)	(6)	(10,345)	(10,448)
At 31 December 1998	54,023	8,683	4,792	111,591	179,089
Accumulated depreciation					
At 1 January 1998			1,069	53,851	54,920
Exchange adjustments			20	931	951
Disposals			(2)	(9,383)	(9,385)
Charge for the year			200	14,506	14,706
At 31 December 1998			1,287	59,905	61,192
Net book value:					
– at 31 December 1998	54,023	8,683	3,505	51,686	117,897
– at 31 December 1997	41,436	8,483	3,390	45,319	98,628

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

22. TANGIBLE FIXED ASSETS (CONTINUED)

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

Cost or valuation of freehold and long leasehold premises at 31 December comprises:	1998 Freehold Land and Buildings £000	1998 Leases of 50 years or more unexpired £000	1997 Freehold land and buildings £000	1997 Leases of 50 years or more unexpired £000
GROUP				
At valuation	38,200	8,410	37,434	8,391
At cost	15,823	703	4,002	507
	54,023	9,113	41,436	8,898
BANK				
At valuation	38,200	8,410	37,434	8,390
At cost	15,823	273	4,002	93
	54,023	8,683	41,436	8,483
	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
On the historical cost basis, freehold and long leasehold premises would have been included as follows:				
Historic cost and net book value	52,038	51,608	39,430	39,015
Land and buildings occupied for own activities:				
Net book value	61,335	59,262	47,514	45,353
Future capital expenditure:				
Contracted expenditure not provided in the accounts	11,118	11,118	25,212	25,212

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

23. OTHER ASSETS

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Mark-to-market value of foreign exchange and interest rate contracts	424,607	4,369	331,096	5,702
Settlement balances	103,085	–	161,790	–
Other	165,906	8,345	102,586	15,441
	693,598	12,714	595,472	21,143

24. DEPOSITS BY BANKS

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Repayable on demand With agreed maturity dates or periods of notice, by remaining maturity:	105,650	148,831	121,196	42,913
– 3 months or less but not repayable on demand	1,287,718	955,594	2,343,236	1,226,086
– 1 year or less but over 3 months	235,736	56,375	228,437	402,437
– 5 years or less but over 1 year	20,568	96,512	59,555	176,269
– over 5 years	–	74,192	18,963	341,791
	1,649,672	1,331,504	2,771,387	2,189,496

Amounts include:

Due to parent and fellow subsidiary undertakings	559,904	100,559	1,474,824	584,198
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Due to subsidiary undertakings		832,481		1,105,968
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NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

25. CUSTOMER ACCOUNTS

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Repayable on demand	2,653,667	2,283,577	2,221,723	1,996,583
With agreed maturity dates or periods of notice, by remaining maturity:				
– 3 months or less but not repayable on demand	3,203,175	1,511,964	2,293,697	1,093,851
– 1 year or less but over 3 months	176,172	86,040	155,393	72,365
– 5 years or less but over 1 year	152,640	101,143	100,224	44,374
– over 5 years	72,272	45,033	59,175	48,908
	6,257,926	4,027,757	4,830,212	3,256,081

Amounts include:

Due to parent and fellow subsidiary undertakings	12,624	558	19,966	795
Due to subsidiary undertakings		25,270		5,783

26. DEBT SECURITIES IN ISSUE

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Bonds and medium term notes, by remaining maturity:				
– 1 year or less or on demand	25,481	–	30,249	–
– 2 years or less but over 1 year	59,171	–	51,431	–
– over 5 years	–	–	20,030	–
	84,652	–	101,710	–
Other debt securities in issue, by remaining maturity:				
– 3 months or less	116,000	116,000	18,639	10,000
– 1 year or less but over 3 months	1,000	1,325	25,918	–
– over 5 years	421	–	2,374	–
	117,421	117,325	46,931	10,000
	202,073	117,325	148,641	10,000

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

27. OTHER LIABILITIES

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Short positions in securities	66,483	–	49,420	–
Mark-to-market value of foreign exchange and interest rate contracts	489,543	7,599	376,187	6,501
Trade creditors	2,216	–	2,896	–
Settlement balances	115,149	–	147,543	–
Taxation, due within one year	61,368	44,224	21,454	24,766
Notes in circulation	183,241	183,241	179,313	179,313
Dividends payable	56,000	56,000	28,000	28,000
Other liabilities	42,198	40,142	83,459	42,311
	1,016,198	331,206	888,272	280,891

28. DEFERRED TAXATION

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
The potential liability and amounts provided at the rates at which the liabilities are expected to crystallise are:				
Short term timing differences	1,275	(301)	2,059	(1,700)
Equipment held for leasing	21,108	–	17,352	–
Capital allowances	1,684	1,561	1,377	1,333
Other timing differences	–	–	21,746	–
	24,067	1,260	42,534	(367)

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

- 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.
- 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 1998	42,534	(367)
Exchange adjustments	657	15
Arising/(released) during the year	(19,124)	1,612
At 31 December 1998	24,067	1,260



NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

29. LOAN CAPITAL

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Undated				
– held by fellow subsidiary undertaking	15,000	–	15,000	–
– held by subsidiary undertaking	–	30,000	–	30,000
	15,000	30,000	15,000	30,000
Dated				
Repayable 2002				
– held by fellow subsidiary undertaking	–	–	22,000	22,000
Repayable 2013				
– held by fellow subsidiary undertaking	22,000	22,000	–	–
IR£ loan capital repayable 2003/7				
– held by subsidiary undertaking	–	6,707	–	6,479
	22,000	28,707	22,000	28,479

The 2002 dated loan capital was redeemed during the year.

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

Early repayment of the 2013 dated loan capital held by a fellow subsidiary undertaking may take place at any time 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 Financial Services Authority and, in the case of the undated loan capital held by a fellow subsidiary undertaking, prior consent of the Central Bank of Ireland is also required.

30. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998 £000	1997 £000	1998 £000	1997 £000
Equity shares				
Ordinary shares of £1 each	150,000	150,000	105,000	105,000

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

31. RESERVES

	Revaluation reserve £000	Profit and loss account £000	Total £000
Equity reserves are analysed below:			
GROUP			
At 1 January 1998 as previously stated	10,904	417,840	428,744
Prior year adjustment	–	9,895	9,895
At 1 January 1998 as restated	10,904	427,735	438,639
Exchange adjustments	239	14,219	14,458
Retained profit for the year	–	56,799	56,799
Transfer of realised profit	(45)	45	–
At 31 December 1998	11,098	498,798	509,896
BANK			
At 1 January 1998	10,904	114,886	125,790
Exchange adjustments	239	5,316	5,555
Retained profit for the year	–	17,194	17,194
Transfer of realised profit	(45)	45	–
At 31 December 1998	11,098	137,441	148,539

The prior year adjustment relates entirely to the change in accounting policy for goodwill (see notes 2 and 21).

32. 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 **£2,597,000** (1997 £5,890,000). Acting on the advice of the actuary for the principal schemes, funding is currently partially 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 **£636,000** (1997 £661,000) included in prepayments and accrued income and **£9,124,000** (1997 £9,886,000) 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 1998

33. 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)			
1998	58,902	96,481	155,383
1997 as restated	57,503	86,690	144,193
Net assets (note b)			
1998	130,800	525,354	656,154
1997 as restated	152,762	431,488	584,250
Total assets (note b)			
1998	3,416,647	6,534,771	9,951,418
1997 as restated	3,292,660	6,099,190	9,391,850
Average assets (note c)			
1998	3,203,866	6,560,958	9,764,824
1997 as restated	3,339,397	6,086,624	9,426,021
Class of business	Retail £000	Markets £000	Total £000
Profit on ordinary activities before tax (note a)			
1998	109,089	46,294	155,383
1997 as restated	90,864	53,329	144,193
Net assets (note b)			
1998	387,435	268,719	656,154
1997 as restated	330,890	253,360	584,250
Total assets (note b)			
1998	4,923,088	5,028,330	9,951,418
1997 as restated	3,984,900	5,406,950	9,391,850
Average assets (note c)			
1998	4,830,895	4,933,929	9,764,824
1997 as restated	3,894,540	5,521,481	9,416,021

Notes

- Interest on loan capital, central services costs and earnings on shareholders' funds are apportioned segmentally on appropriate bases.
- 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.
- Average total assets attributed to segments are derived from a combination of daily, monthly and quarterly balances.
- Particulars of gross income are not disclosed.

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

34. MEMORANDUM ITEMS

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

GROUP	1998 Contract amount £000	1998 Risk weighted amount £000	1997 Contract amount £000	1997 Risk weighted amount £000
Contingent liabilities:				
– Acceptances and endorsements	3,274	3,274	4,222	4,222
– Guarantees and assets pledged as collateral security:				
– Guarantees	137,375	85,558	144,395	140,409
– Other contingent liabilities	299,821	233,347	216,222	121,824
	440,470	322,179	364,839	266,455
Commitments:				
– Documentary credits and other short term trade-related contingent obligations	14,086	2,817	11,756	2,351
– Forward asset purchases	14,887	14,887	28,981	28,981
– Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
– less than one year or unconditionally cancellable at any time	1,468,715	–	1,534,303	–
– one year and over	285,045	129,058	299,338	142,692
	1,782,733	146,762	1,874,378	174,024
BANK				
Contingent liabilities:				
– Acceptances and endorsements	3,274	3,274	4,222	4,222
– Guarantees and assets pledged as collateral security:				
– guarantees	681,430	247,009	434,941	91,384
– Other contingent liabilities	122,957	61,478	102,158	51,079
	807,661	311,761	541,321	146,685
Commitments:				
– Documentary credits and other short term trade-related contingent obligations	14,086	2,817	11,756	2,351
– Forward asset purchases	11,118	11,118	25,212	25,212
– Formal standby facilities, credit lines and other commitments to lend with a maturity of:				
– less than one year or unconditionally cancellable at any time	1,061,013	–	1,078,597	–
– one year and over	72,376	36,188	74,186	37,093
	1,158,593	50,123	1,189,751	64,656



NOTES TO THE FINANCIAL STATEMENTS – *for the year ended 31 December 1998***34. MEMORANDUM ITEMS (CONTINUED)**

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

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

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

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

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

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

Contingent liabilities and commitments incurred by the Bank on behalf of subsidiary undertakings, included in the above, amounted to £285,309,000 (1997 £338,430,000) for which there are corresponding obligations by counterparties.

35. DERIVATIVES

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

The Group has established clear risk policies, including limits, reporting lines and control procedures. This framework is designed to provide tight control and is reviewed regularly by both Executive and Board Committees. Risk control functions in Ulster Bank Markets, where the Group's trading activities are focused, are independent of the trading units and report to the Director of Group Risk. Any change in limit size has to be advised to and approved by the independent risk functions. The introduction of new products is subject to review by representatives from the risk control, internal audit, compliance, finance and operational support functions.

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

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

35. 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 1998, for all trading books carried at fair value, the average daily profit after charging funding costs was £131,644; the maximum loss on any one day did not exceed £157,706. The standard deviation of daily profits was less than £133,967. Average daily VAR for these books (assuming zero correlation between product groups) was £645,228 for the year. Maximum and minimum daily VAR were £983,133 and £129,151 respectively.

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

	1998			1997		
	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	14,378,699	14,720,921	31,458	9,994,201	19,174,381	30,512
Gross replacement cost	246,830	173,369	5,620	148,498	86,123	5,524

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 1998

35. DERIVATIVES (CONTINUED)

DERIVATIVES HELD FOR TRADING PURPOSES

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

	1998			1997		
	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	13,402,414	234,259	167,761	9,108,278	119,891	136,257
Currency swaps	779,269	8,894	23,526	742,164	23,302	13,686
Options purchased	87,786	2,625	–	53,746	3,961	–
Options written	89,406	–	2,689	23,572	–	1,398
	14,358,875	245,778	193,976	9,927,760	147,154	151,341
INTEREST RATE RELATED CONTRACTS						
Interest rate swaps	7,392,092	156,764	160,503	7,300,016	69,507	79,608
Options purchased	229,414	2,084	–	154,049	1,095	–
Options written	289,008	–	3,311	286,535	–	2,069
Futures and forward rate agreements	6,552,737	14,299	12,945	10,554,675	14,307	15,231
	14,463,251	173,147	176,759	18,295,275	84,909	96,908
EQUITY AND COMMODITY RELATED CONTRACTS						
	31,458	5,620	–	30,512	5,524	29
		424,545	370,735		237,587	248,278
AVERAGE FAIR VALUE						
Exchange rate related contracts		242,679	256,264		179,436	159,317
Interest rate related contracts		132,332	122,775		76,449	76,534
Equity and commodity related contracts		6,914	–		5,869	33
		381,925	379,039		261,754	235,884

Averages are calculated from a combination of monthly and quarterly balances. There are no netting arrangements in place at the year end (1997 £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 1998

35. DERIVATIVES (CONTINUED)

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

	1 year or less £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	13,070,625	313,029	6,152	12,608	13,402,414
Currency swaps	63,618	49,940	425,986	239,725	779,269
Options purchased	26,798	60,988	–	–	87,786
Options written	28,418	60,988	–	–	89,406
At 31 December 1998	13,189,459	484,945	432,138	252,333	14,358,875
At 31 December 1997	8,709,117	701,186	409,528	107,929	9,927,760
INTEREST RATE RELATED CONTRACTS					
Interest rate swaps	2,618,379	1,885,856	2,047,386	840,471	7,392,092
Options purchased	98,443	56,173	52,493	22,305	229,414
Options written	233,074	13,667	42,267	–	289,008
Futures and forward rate agreements	5,919,542	623,042	5,027	5,126	6,552,737
At 31 December 1998	8,869,438	2,578,738	2,147,173	867,902	14,463,251
At 31 December 1997	6,505,221	8,376,975	2,749,200	663,879	18,295,275
EQUITY AND COMMODITY RELATED CONTRACTS					
At 31 December 1998	–	–	31,458	–	31,458
At 31 December 1997	–	–	25,197	5,315	30,512

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 1998

35. 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	3,825,668	37,441	–	–	3,863,109
Currency swaps and options	39,564	40,144	48,378	–	128,086
At 31 December 1998	3,865,232	77,585	48,378	–	3,991,195
At 31 December 1997	1,341,362	420,800	144,928	–	1,907,090

INTEREST RATE RELATED CONTRACTS					
Interest rate swaps	420,451	280,598	385,847	16,173	1,103,069
Futures and forward rate agreements	527,676	72,268	–	–	599,944
Options	7,279	1,204	113	–	8,596
At 31 December 1998	955,406	354,070	385,960	16,173	1,711,609
At 31 December 1997	1,218,374	1,034,462	361,875	304,299	2,919,010

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

	1998 £000	1997 £000
Exchange rate related contracts	19,825	66,441
Interest rate related contracts	257,669	879,105

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

	1998			1997		
	Notional principal amount £000	Weighted average interest rates		Notional Principal amount £000	Weighted average interest rates	
		Receive %	Pay %		Receive %	Pay %
Receive fixed swaps	480,505	6.75	6.44	342,730	8.50	8.31
Pay fixed swaps	622,564	6.77	6.93	808,849	7.08	7.76
	1,103,069			1,151,579		

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

35. DERIVATIVES (CONTINUED)

ANALYSIS OF REPLACEMENT COST OF OTC CONTRACTS:

					1998	1997
	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	234,869	4,689	3,875	3,397	246,830	148,498
Interest rate related contracts	32,671	39,484	51,612	49,602	173,369	86,123
Equity and commodity related contracts	–	–	5,620	–	5,620	5,524
	267,540	44,173	61,107	52,999	425,819	240,145
By counterparty exposure:						
Financial institutions					388,786	190,345
Other					37,033	49,800
					425,819	240,145

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.

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

35. DERIVATIVES (CONTINUED)

FUTURE	A future is an exchange traded contract to buy (or sell) a standardised amount of the underlying physical or financial commodity at an agreed price on a set date.
GROSS REPLACEMENT COST	This represents the sum of the positive replacement values for a portfolio of trades.
NOTIONAL PRINCIPAL AMOUNT	The notional principal amount is the amount of the underlying physical or financial commodity on which the derivative contract is based.
OPTION	An option is a contract that gives the holder the right but not the obligation to buy (or sell) a specified amount of the underlying physical or financial commodity, at a specific price, at an agreed date or over an agreed period.
OTC CONTRACT	An 'over the counter' contract with terms that are specific to customer requirements.
PROPRIETARY TRADING	Proprietary trading is the deliberate taking of a position in anticipation of price movements rather than to meet customer demand or to hedge position.
SWAP	A swap is an agreement to exchange cash flows in the future according to a pre-arranged formula.
VALUE-AT-RISK	The value-at-risk (VAR) is the range of profit/loss that a particular deal or group of deals is likely to face given defined fluctuations in variables such as interest rates or exchange rates. Changes in each of these are determined by statistical analyses of historic market movements.

36. GENERAL

(i) Operating lease commitments

	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Annual commitments under operating leases, which relate solely to land and buildings, were as follows:				
Operating leases which expire:				
– Within 1 year	418	154	389	99
– Between 1 and 5 years	1,313	261	1,259	236
– In 5 years or more	7,618	2,626	9,376	2,444
	9,349	3,041	11,024	2,779

(ii) Lease and similar finance arrangements

Group amounts financed under finance lease and instalment credit agreements entered into during the year were **£594,687,000** (1997 £697,856,000).

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

36. GENERAL (CONTINUED)

(iii) Average number of employees

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

	1998	1997
Managerial	1,626	1,300
Clerical staff	3,191	3,221
Others	99	133
	4,916	4,654

(iv) Assets pledged as security for liabilities

	Amount of Liability Secured			
	1998 Group £000	1998 Bank £000	1997 Group £000	1997 Bank £000
Deposits by banks	147,197	143,717	264,440	19,871
Customer accounts	17,030	–	14,831	–
Participation in real time settlements system	120,584	120,583	172,156	172,156
	284,811	264,300	451,427	192,027

The secured deposits by banks and customer accounts include amounts of £52,440,000 (1997 £259,400,000), representing sale and repurchase liabilities.

These liabilities were secured on debt securities held by Group companies with a carrying value of £263,745,000 (1997 £47,415,000), lendings to banks of £79,288,000 (1997 £332,253,000) and lendings to customers of £25,660,000 (1997 £74,871,000).

(v) Litigation

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



NOTES TO THE FINANCIAL STATEMENTS – *for the year ended 31 December 1998***37. TRANSACTIONS INVOLVING DIRECTORS AND OTHERS**

- (a) The aggregate amounts outstanding at 31 December 1998 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	8	13	4,130
Quasi loans	5	4	17
Credit transactions	—	—	—
Guarantees	1	1	475

- (b) There were no amounts outstanding at 31 December 1998 (1997 £Nil) in respect of loans made to Directors by subsidiary undertakings which were not authorised institutions.
- (c) The aggregate amounts outstanding at 31 December 1998 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	24	1,567
Quasi loans	13	18
Credit transactions	—	—

NOTES TO THE FINANCIAL STATEMENTS – for the year ended 31 December 1998

38. DIRECTORS' INTERESTS IN SHARES

The interests, all beneficial, of those who were Directors at 31 December 1998 in the ordinary shares of National Westminster Bank Plc are shown below.

ORDINARY SHARES AT £1 EACH

	Shares		Share Options (notes a, b and c)						
	As at 1 January 1998	As at 31 December 1998	As at 1 January 1998	Granted during the year (exercisable) Between 2001 and 2008)		Exercised during the year		Lapsed during the year	As at 31 December 1998
				Options	Weighted Price (p)	Options	Weighted Price (p)		
D F Adair	13,915	14,233	36,482	–	–	1,380	313	–	35,102
R D Kells	34,323	36,035	46,232	–	–	45,382	536	332	518
I J Laird	16,203	17,143	57,413	7,299	1101	–	–	862	63,850
P M McMahon	13,316	15,550	37,216	10,000	1101	518	399	–	46,698
J J McNally	6,946	6,633	37,434	10,000	1101	518	399	–	46,916
M J Wilson	6,049	7,243	126,506	14,166	1097	518	399	–	140,154

Sir George Quigley and Mr H M V Gray are directors of National Westminster Bank Plc and their interests in the share and loan capital of National Westminster Bank Plc are disclosed in the report of the Remuneration Committee of that company contained in its annual report and accounts for 1998.

MEDIUM TERM EQUITY PLAN

During the year, the Director listed below was granted potential awards under the Medium Term Equity Plan (MTEP) in respect of 1998. MTEP is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to stretching performance criteria. The achievement of the performance criteria would result in the Director 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 1102p.

If the performance criteria is met, the Director will be able to elect to have the shares awarded.

DIRECTOR	NUMBER OF ORDINARY SHARES GRANTED		
	1998 AWARD	1997 AWARD	1996 AWARD
M J Wilson	14,973	–	–
R D Kells	–	–	7,807 (Note c)

As at 31 December 1998, **1,487,592** (1997 1,411,552) 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.

NOTES TO THE FINANCIAL STATEMENTS – *for the year ended 31 December 1998***38. DIRECTORS' INTERESTS IN SHARES (CONTINUED)****QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST)**

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

As at 31 December 1998 **604,627** (1997 1,566,065) ordinary shares were held by the Trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

Notes:

- (a) Options outstanding are exercisable at prices between 308p and 1101p per share. Options granted under the Executive Share Option Scheme are exercisable subject to the achievement of performance conditions.
- (b) 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 30 December 1998 was 1159p per share and, during the year, the price has ranged from a low of 694p to a high of 1260p.
- (c) Mr R D Kells retired as Group Chief Executive on 16 April 1998 and, as a result, he was only eligible to exercise a proportion of the share option to which he would have been entitled had he continued in that Office. Of the share allocation under the MTEP scheme, Mr Kells exercised 6,288 shares from the award granted in 1996. The remainder of the award has now lapsed.

39. 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
TRANSACTIONS DURING THE YEAR		
Loans made during the year		
– at a preferential rate	1	85
– agreed but not drawn down	1	1,000
BALANCES OUTSTANDING AT THE END OF THE YEAR:		
Loans		
– at a preferential rate	7	453
– at a commercial rate	7	3,961
Guarantees	1	475

NOTES TO THE FINANCIAL STATEMENTS – *for the year ended 31 December 1998***39. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (b) Other
- (i) Dividend income of £104,000 was receivable by the Group during the year from Metzler Ulster International Finance Limited, a company in which the group has a 50% joint venture investment. At the year end a balance of £24,000 remained outstanding.
- (ii) Fees of £444,000 for information technology services were paid to Vision Information Consultancy Limited, a company in which the Group has an investment.
- (iii) Fee income of £1,376,000 and £354,000 was earned by the Group during the year in its capacity as a fund manager and fund administrator respectively to pension funds operated by the Group for the benefit of employees. At the year end, amounts receivable in respect of the services were £508,000. Certain administrative expenses of Group pension funds were borne by the Bank.
- (iv) Since 100% of the Bank's voting rights are controlled within the Group of companies of which it is a member, the Bank has taken advantage of the exemption under paragraph 3c of Financial Reporting Standard No.8 not to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

40. 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 customers throughout Ireland and internationally. The services provided by Ulster Bank Markets include:



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

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

TREASURY AND CAPITAL MARKETS

Our Treasury Division has long been recognised as a leading participant in the foreign exchange market. The Bank enjoys an international reputation as an active market maker, both spot and forward, in all major currencies. We are committed to being at the forefront in providing our customers with a best in class service for all euro related products.

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

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

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

The Treasury Division's operations are underpinned by Ulster Bank's strong credit ratings from Standard & Poor's; Long-Term AA- and Short-Term A1+, and from Moody's Investors Service Limited; Long-Term Aa3 and Short-Term P-1 and Financial Strength C+.

Contact:

Declan O'Neill – Group Treasurer

Dublin

Brian Brady

Director – Sales

Jim Fox

Director – Trading

Belfast

Brendan Caldwell

Head of Treasury, Belfast

International Trade Services

Joe Caulfield

Head of ITS

ULSTER BANK MARKETS

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INVESTMENT DIVISION

Fund Management

Established in 1980, Ulster Bank Investment Managers Ltd (UBIM) manages assets in excess of IR£4.3Bn, and is one of Ireland's leading investment management companies. Superior investment performance over the long term relative to competition remains the hallmark of UBIM's success. Our performance record is a function of a consistent and focused approach to the management of investment portfolios.

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

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

Administration, Custodial and Trustee Services

Ulster Bank Investment Services Ltd (UBIS), provides a comprehensive range of Custodial, Trustee and Fund Administration services to collective investment schemes including schemes operating out of Ireland's International Financial Services Centre. The success of Dublin as a centre for the administration of international Mutual Funds has enabled UBIS to grow its funds under custody to IR£11Bn, and funds under administration to IR£3.9Bn. International clients include fund sponsors from the US, Europe and the Far East.

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

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



ULSTER BANK MARKETS

Contact:

Gavin Caldwell

– Head of Investment Division

Frank Close

– Head of Institutional Business

David Conway

– Head of Retail and International

Sean Hawkshaw

– Head of Business Development and Special Projects

Michael Boyce

– Head of Ulster Bank Investment Services

Noel O'Halloran

– Head of Equities

Anthony Linehan

– Head of Fixed Interest

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Ulster Bank Investment Managers Ltd is authorised by the Central Bank of Ireland under the Investment Intermediaries Act 1995.

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

CORPORATE BANKING AND SPECIALISED FINANCE**Corporate Banking**

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

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

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

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

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

ULSTER BANK MARKETS

- Provision of bid notes, performance bonds, payment guarantees and other contingent instruments.

Contact:

Dublin

Tony McArdle

– Head of Corporate Banking and Specialised Finance

David Pierce

– Head of Inward Investment

Andrew Blair

– Director, Corporate Banking

Pat Gaynor

– Director, Corporate Banking

Michael Madigan

– Director, Corporate Banking

Ulster Bank Markets Limited

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Specialised Finance

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

UIF is particularly active in the United Kingdom, North American, German, Italian, South African and Asia Pacific markets. During the year UIF continued to develop its international lending business with particular emphasis on more innovative and structured financing transactions. Deals concluded during the year included participations in international loan syndications.

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

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– Director, Specialised Finance

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– Director, Specialised Finance

Gerard Prendergast

– Director, Specialised Finance

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ULSTER BANK MARKETS

Ulster Bank (Isle of Man) Limited

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

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

Contact: Gerard Brown
– Chief Executive

Ulster Bank (Isle of Man) Limited
45 Victoria Street
Douglas
Isle of Man IM1 2UB
Telephone (01624) 672211
Fax (01624) 661276

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

NCB GROUP

NCB Group is a wholly owned part of Ulster Bank Markets and provides stockbroking, moneybroking, corporate finance and other specialised services. The Group occupies a leading position in Ireland in the markets in which it operates, a position further enhanced by its membership of the 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 significant presence in the private client market. NCB is a member of the stock exchange and is a Primary Dealer in Irish Government Bonds.

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 supranational 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.

ULSTER BANK MARKETS

Private Clients

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

Investment Funds Listing

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

Moneybroking

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

Contact:

Conor O'Kelly

– Managing Director of NCB Group

John Conroy

– Deputy Managing Director and Head of Equities

Graham O'Brien

– Finance Director and Chief Operating Officer

John Keilthy

– Head of Private Clients Division

Sheila Duignan

– Director of Investment Funds

Mark Dawson

– Managing Director of Moneybroking

NCB Group Limited

3 George's Dock

IFSC

Dublin 1

Telephone (01) 6115611

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.

Corporate Advisory

Advice to public and private entities on:

- Flotations
- Mergers
- Acquisitions
- Disposals
- Fundraising
- Private Finance Initiative



ULSTER BANK MARKETS

- Restructuring
- Stock Exchange/Takeover Code Compliance
- Strategic reviews.

**Corporate Stockbroking**

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

Underwriting

Underwriting of fund raising through debt or equity.

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

Through its connections with Hawkpoint Partners in London and Gleacher NatWest in the US, it has unrivalled domestic strengths and global reach.

Contact:***Dublin***

Hugh Cooney
– Managing Director of
NCB Corporate Finance Limited
3 George's Dock
International Financial Services Centre
Dublin 1

Belfast

Robin Horner
– Director
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Telephone (01232) 897767

CUNNINGHAM COATES LIMITED

Cunningham Coates Limited is the largest private client stockbroker in Northern Ireland. The services provided by the firm to its clients include:

- Advisory stockbroking
- Execution only stockbroking
- Nominee account stockbroking
- Discretionary funds management
- Provision of Personal Equity Plans and Individual Savings Accounts.

Contact:

Randal Herron
– Managing Director
19 Donegall Street
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Telephone (01232) 323456

DIRECTORS AND EXECUTIVES

CHAIRMAN

Sir George Quigley, CB

DIRECTORS

David Franklin Adair • Hamish Martin Vincent Gray • Ronald David Kells, OBE, DL
 Ivan James Laird • Peter Halliday McKie, CBE • Patrick Michael McMahon
 John Joseph McNally • Sir Roy McNulty, CBE • William Patrick O'Kane, OBE
 Martin Rafferty • Martin Joseph Wilson

AUDIT AND COMPLIANCE COMMITTEE

P H McKie, CBE, Chairman

Sir Roy McNulty, CBE • W P O'Kane, OBE • Sir George Quigley, CB

GROUP CHIEF EXECUTIVE

M J Wilson

DIVISIONAL HEADS

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

SECRETARY

D J Peacock

HEAD OFFICE

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CHIEF OFFICE REPUBLIC OF IRELAND

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JCB Credit Limited
The Mill, Rocester, Staffordshire ST14 5JW
D J Burgess, Managing Director

Lombard & Ulster Limited
40 Linenhall Street, Belfast BT2 8DF
R J McKay, Chief Executive

Lombard & Ulster Banking Limited
Ulster Bank Group Centre, George's Quay, Dublin 2
Bernard Kingston, Chief Executive

NCB Group Limited
George's Dock 3, International Financial Services Centre, Dublin 1
Connor O'Kelly, Managing Director

Ulster Bank Commercial Services Limited
Ulster Bank Group Centre, George's Quay, Dublin 2
W J Glynn, Chief Executive

Ulster Bank Commercial Services (NI) Limited
11 Donegall Square South, Belfast BT1 5PH
D F Moynihan, Managing Director

Ulster Bank Dublin Trust Company
33 College Green, Dublin 2
Margaret O'Shea, Manager

Ulster Bank (Isle of Man) Limited
45 Victoria Street, Douglas, Isle of Man
Gerard Brown, Chief Executive

Ulster Bank Markets Limited
Ulster Bank Group Centre, George's Quay, Dublin 2
P M McMahon, Chief Executive

SUBSIDIARY UNDERTAKINGS

Ulster International Finance

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

J T Molloy, Director

UIF Finance Company

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

J T Molloy, Director

Ulster International Finance & Commercial Services Company

47 Donegall Place, Belfast BT1 5AU

J T Molloy, Director

Ulster Bank Investment Managers Limited

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

G R Caldwell, Director

Ulster Bank Custodial Services

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

M J Boyce, Director

Ulster Bank Investment Services Limited

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

M J Boyce, Director

Ulster Bank Ireland Ltd

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

J E Crawley, Director

Ulster Bank Ireland GSF Ltd

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

N J Ryan, Director

Ulster Bank Group Treasury (International) Limited

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D J O'Neill, Chief Executive

Ulster Bank Finance PLC

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

J E Crawley, Director

Ulster Investment Services Limited

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I J Laird, Director

REGIONAL DIRECTORS & OFFICES

REGIONAL DIRECTORS

NORTHERN REGION

Gerry Simms

SOUTHERN REGION

Richard Boucher

AREA DIRECTORS

NORTHERN REGION

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

SOUTHERN REGION

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

OFFICES

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 Ardara
 Ardee
 Armagh
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 Athy
 Aughnacloy
 Ballina
 Ballinrobe
 Ballybofey
 Ballycastle
 Ballyclare
 Ballyconnell
 Ballyhaunis
 Ballyjamesduff
 Ballymena,
 Wellington Street
 Ballymena, Harryville
 Ballymoney
 Ballymote
 Ballynahinch
 Banbridge
 Bangor, Main Street
 Bangor, Springhill

BELFAST

Andersonstown

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

Belmullet
 Belturbet
 Blessington
 Buncrana
 Carlow
 Carrickfergus

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



OFFICES

DUBLIN

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

Dundalk
 Dungannon
 Dungarvan
 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
 Holywood
 Irvinestown
 Jordanstown,
 University of Ulster
 Kilcock
 Kilkenny
 Killarney
 Killeshandra
 Killybegs
 Killyleagh
 Kilnaleck
 Kircubbin
 Larne
 Letterkenny
 Lifford
 Limavady
 Limerick,
 O'Connell Street
 Limerick, Croom
 Limerick, Dooradoyle
 Lisburn, Bow Street
 Lisburn, Hillsborough
 Lisburn,
 Longstone Street
 Lisnaskea
 Londonderry,
 Strand Road
 Londonderry,
 Waterloo Place
 Londonderry, Waterside
 Longford
 Lurgan
 Maghera
 Magherafelt
 Mallow

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