



TUARASCÁIL ón gComhchoiste Fiosrúcháin i dtaobh na Géarchéime Baincéireachta

An tAcht um Thithe an Oireachtais
(Fiosrúcháin, Pribhléidí agus Nósanna Imeachta), 2013

REPORT of the Joint Committee of Inquiry into the Banking Crisis

Houses of the Oireachtas
(Inquiries, Privileges and Procedures) Act, 2013

Volume 1: Report

Volume 2: Inquiry Framework

Volume 3: Evidence

Deloitte

DEL: Core Book 14

January 2016

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THEME: B1

Effectiveness of banks' board governance,
client relationships and business models

LINE OF INQUIRY: B1b

Integrity of financial reporting

External Audit

Management Letter & Financial Regulator Confirmation Letters

For the year ended 31 December 2007

16 April 2008

Overview of Management Letter Process

On 12th February 2008 we presented a summary report on our audits for the year ended 31 December 2007 to the Ulster Bank Group Audit Committee. In that report we indicated that we would deliver a management letter covering internal controls matters for Ulster Bank Group and we now attach our letter in draft.

As in previous years we only report within that letter matters which have not already been brought to the organisation's attention either during the Sarbanes Oxley reporting process or as part of the Group Internal Audit reporting processes.

Taking this into account, we now report that our audit procedures did not highlight any material weaknesses in control procedures which we believe should be brought to your attention at this time.

We will also issue similar letters for Ulster Bank Ireland Limited and First Active plc in conjunction our routine the Financial Regulator statutory confirmations a copies of which are attached.

Deloitte & Touche LLP
16 April 2008

The Board of Directors
Ulster Bank Limited
11-16 Donegall Square East,
Belfast, BT1 5UB

Ladies and Gentlemen,

We have completed our audit of Ulster Bank Limited (the “Company”) for the year ended 31 December 2007. International Auditing Standard 260 *Communication of audit matters to those charged with governance* requires the auditor to report to the Directors, the audit committee or an appropriate level of management any material weaknesses in the accounting or internal control systems identified during the audit.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements as a whole. Our audit work involves the review of only those systems and controls upon which we wish to rely for the purposes of determining our audit procedures. Part of our work is substantive and may not rely on controls. Accordingly, our examination may not necessarily bring to light all weaknesses in internal control or accounting practices which may exist.

This report has been prepared solely for the Company and should not be disclosed to another third party, other than the Financial Services Authority and/or the Irish Financial Services Regulatory Authority, quoted or referred to in whole or in part without our prior written consent. No responsibility to any third party is accepted as this report has not been prepared, and is not intended, for any other purpose. This report does not purport to be a comprehensive record of all matters arising, risks or internal control weaknesses in the entity.

Our audit procedures did not highlight any material weaknesses in control procedures which we believe should be brought to your attention.

We take this opportunity of expressing our thanks for the co-operation and assistance we received during the course of our work.

Yours faithfully,

Deloitte & Touche LLP

Banking Supervision Division
The Financial Regulator
P.O. Box 559
Dame Street
Dublin 2

To Banking Supervision Division,

Statutory Duty Confirmation: Statement by the auditors for Ulster Bank Ireland Limited to the Financial Regulator

This letter constitutes the report as required by section 27B of the Central Bank Act 1997 in relation to our statutory duty to report certain matters to the Financial Regulator, as specified in section 47 of the Central Bank Act 1989. The schedule to this letter lists the reporting periods in which we acted as auditors of Ulster Bank Ireland Limited and are therefore subject to the statutory duty from 1 January 2007 to 31 December 2007.

Respective responsibilities of directors and auditors

It is the responsibility of the directors of Ulster Bank Ireland Limited

- to take appropriate steps to provide reasonable assurance that the regulated entity complies with applicable legislation and the requirements of the Financial Regulator set out in Guidance Notes, Notices, Handbooks, Codes and other authoritative pronouncements (the Supervisory Requirements);
- to establish arrangements designed to detect non-compliance with the Guidance Notes, Notices, Handbooks, Codes and other authoritative pronouncements (the Supervisory Requirements and to report any breaches to you); and
- to report to the Financial Regulator any information which they know or have reasonable cause to believe is of material significance for the Financial Regulator's supervisory functions.

Our responsibilities are to report to you matters which come to our attention in the course of our work as auditors and are of regulatory concern to you, in accordance with section 47 of the Central Bank Act 1989 and to report on an annual basis to you in relation to whether circumstances indicating such matters have been identified in the course of our work.

Basis of statement

In discharging our statutory duties to report to you we have had regard to matters identified in section 47 of the Central Bank Act 1989. In doing so we are required to consider matters of which we have become aware in the capacities as auditors listed in the Annex to this letter.

Statement

No circumstances have come to our attention that has given rise to a statutory duty on us to report to you under section 47 of the Central Bank Act 1989. Our report is prepared solely for the

confidential use of the Financial Regulator as required by section 27B of the Central Bank Act 1997. It may not be relied upon by Ulster Bank Ireland Limited or the Financial Regulator for any other purpose whatsoever. Deloitte & Touche neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage, or expense of whatsoever nature which is caused by reliance on our report.

Yours faithfully,

Deloitte & Touche
Dublin

Annex to Statutory Duty Confirmation

Capacity	Reporting period	Reference to basis of work
Auditor of Ulster Bank Ireland Limited	Financial year ended 31 December 2007	Audit report dated 14 February 2008

Banking Supervision Division
The Financial Regulator
P.O. Box 559
Dame Street
Dublin 2

To Banking Supervision Division,

Statutory Duty Confirmation: Statement by the auditors for First Active Plc to the Financial Regulator

This letter constitutes the report as required by section 27B of the Central Bank Act 1997 in relation to our statutory duty to report certain matters to the Financial Regulator, as specified in section 47 of the Central Bank Act 1989. The schedule to this letter lists the reporting periods in which we acted as auditors of First Active Plc and are therefore subject to the statutory duty from 1 January 2007 to 31 December 2007.

Respective responsibilities of directors and auditors

It is the responsibility of the directors of First Active Plc

- to take appropriate steps to provide reasonable assurance that the regulated entity complies with applicable legislation and the requirements of the Financial Regulator set out in Guidance Notes, Notices, Handbooks, Codes and other authoritative pronouncements (the Supervisory Requirements);
- to establish arrangements designed to detect non-compliance with the Guidance Notes, Notices, Handbooks, Codes and other authoritative pronouncements (the Supervisory Requirements and to report any breaches to you); and
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Yours faithfully,

Deloitte & Touche
Dublin

Annex to Statutory Duty Confirmation

Capacity	Reporting period	Reference to basis of work
Auditor of First Active Plc	Financial year ended 31 December 2007	Audit report dated 14 February 2008

Ulster Bank
Year Ended 31 December 2007
File Note re: Management Letter

See <2110> for the Nil Management Letter reported to management at their Audit Committee Meeting in April 2008.

Insights that were gathered during the course of our audit were considered. These insights were shared with management; however, it was not felt that these insights warranted inclusion in the management letter reported to the Audit Committee.



THEME: B2

Effectiveness of banks' credit strategies and risk management

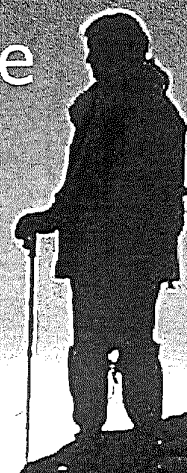
LINE OF INQUIRY: B2a

Appropriateness of property-related lending strategies and risk appetite

Journey to One

Strategic Business Initiative Update

Michael Torpey
27th April 2007



www.ulsterbank.com

 Ulster Bank Group

 RBS

Defining Our Ideas

one

Our Goals and Customer Strategies

From	in Presence	To
£600m	in Operating Profit	£1.3 Billion
£5 Billion	in new Mortgage Lending	£15 Billion
£10 Billion	in Credit Balances	£25 Billion
£17 Billion	in Business Lending Outstanding	£44 Billion

From	in Presence	To
273	Stores & Branches	303
32	Business Centres	54
680	Relationship Managers	1440
£2m	Telephony & Internet Income	£30m

32%	Corporate Markets NI Share	40%
15%	Corporate Markets RI Share	30%
80,000	New Personal C/As P/A	250,000
40,000	Corporate Markets Customers	100,000
4 th & 2 nd	In Customer Service	1 st

From	in Presence	To
6,000	People in UBG	10,200
Behind	RBSG in Staff Engagement	Ahead
Training	Our people	Teaching

✠RBS

✠Ulster Bank Group

PART 1
LARGEST EXPOSURES TO INDIVIDUAL NON-BANK COUNTERPARTIES AND GROUPS OF CLOSELY RELATED

Number of exposures reported in this Section 19

Item no	Counterparty (principal counterparty in the case of groups of closely related institutions)	Amount at risk at reporting date	Specific bad debt provisions made against the balance in column B	Eligible collateral held at the reporting date	Exposure at reporting date, after eligible offsets only		Maximum exposure during period	
					Amount	% LECB	Amount	% LECB
					F	G	H	J
A	B	C	D	F	G	H	J	
1		233,515			233,515	19.06	233,577	19.07
2		225,573			225,573	18.42	225,609	18.42
3		222,287			222,287	18.15	222,323	18.15
4		206,669			206,669	16.87	207,170	16.91
5		166,248			166,248	13.57	166,845	13.62
6		149,841			149,841	12.23	149,950	12.24
7		135,654			135,654	11.07	138,138	11.28
8		125,931			125,931	10.28	127,405	10.40
9		112,450			112,450	9.18	112,450	9.18
10		111,924			111,924	9.14	111,924	9.14
11		95,771			95,771	7.82	100,329	8.19
12		92,306			92,306	7.54	92,306	7.54
13		90,731			90,731	7.41	91,139	7.44
14		88,914			88,914	7.26	90,330	7.37
15		82,831			82,831	6.76	83,101	6.78
16		69,793			69,793	5.70	70,107	5.72
17		65,863			65,863	5.38	66,697	5.45
18		0			0	0.00	207,220	16.92
19		0			0	0.00	180,950	14.77
20								
21								
22								
23								
24								
25								
...								

TOT1	Total to Part 7	0
PC1		

NON-BANK COUNTERPARTIES

Item no cont'd	Covered by guarantees at the reporting date	Exposure at reporting date, after offsets and concessions		Amount included in the clustering ratio	Amount subject to 'Soft' Limits (also report in Part 8)
		Amount	% LECB		
		R	S		
K				U	V
1		233,515	19.06	233,515	
2		225,573	18.42	225,573	
3		222,287	18.15	222,287	
4		206,669	16.87	206,669	
5		166,248	13.57	166,248	
6	1,750	148,091	12.09	148,091	
7		135,654	11.07	135,654	
8		125,931	10.28	125,931	
9		112,450	9.18		
10		111,924	9.14		
11		95,771	7.82		
12		92,306	7.54		
13		90,731	7.41		
14		88,914	7.26		
15		82,831	6.76		
16		69,793	5.70		
17		65,863	5.38		
18		0	0.00		
19		0	0.00		
20					
21					
22					
23					
24					
25					
...					

TOT1	.....	Total to Part 7	1,463,969
PC1	.....	% LECB	119.52

PART 1
LARGEST EXPOSURES TO INDIVIDUAL NON-BANK COUNTERPARTIES AND GROUPS OF CLOSELY RELATED

Number of exposures reported in this Section 21

Item no	Counterparty (principal counterparty in the case of groups of closely related institutions)	Amount at risk at reporting date	Specific bad debt provisions made against the balance in column B	Eligible collateral held at the reporting date	Exposure at reporting date, after eligible offsets only		Maximum exposure during period	
					Amount	% LECB	Amount	% LECB
					F	G	H	J
A	B	C	D	F	G	H	J	
1		521,313			521,313	15.85	521,313	15.85
2		389,992			389,992	11.85	391,764	11.91
3		371,106			371,106	11.28	371,285	11.29
4		332,248			332,248	10.10	335,580	10.20
5		314,507			314,507	9.56	315,525	9.59
6		311,847			311,847	9.48	312,450	9.50
7		301,293			301,293	9.16	301,895	9.18
8		300,555			300,555	9.14	300,743	9.14
9		298,063			298,063	9.06	299,559	9.11
10		296,720			296,720	9.02	298,035	9.06
11		264,409			264,409	8.04	264,919	8.05
12		242,786			242,786	7.38	243,612	7.40
13		242,204			242,204	7.36	243,017	7.39
14		229,264			229,264	6.97	230,069	6.99
15		227,594			227,594	6.92	235,971	7.17
16		204,062			204,062	6.20	208,084	6.32
17		184,243			184,243	5.60	184,686	5.61
18		174,915			174,915	5.32	176,313	5.36
19		166,248			166,248	5.05	166,845	5.07
20		0			0	0.00	505,540	15.37
21		0			0	0.00	477,061	14.50
22								
23								
24								
25								
...								

TOT1	Total to Part 7	0
PC1		

NON-BANK COUNTERPARTIES

Item no cont'd	Covered by guarantees at the reporting date	Exposure at reporting date, after offsets and concessions		Amount included in the clustering ratio	Amount subject to 'Soft' Limits (also report in Part 8)
		Amount	% LECB		
		R	S		
	K			U	V
1		521,313	15.85	521,313	
2		389,992	11.85	389,992	
3	1,750	369,356	11.23	369,356	
4		332,248	10.10	332,248	
5		314,507	9.56		
6		311,847	9.48		
7		301,293	9.16		
8		300,555	9.14		
9		298,063	9.06		
10		296,720	9.02		
11		264,409	8.04		
12		242,786	7.38		
13		242,204	7.36		
14		229,264	6.97		
15		227,594	6.92		
16		204,062	6.20		
17		184,243	5.60		
18		174,915	5.32		
19		166,248	5.05		
20		0	0.00		
21		0	0.00		
22					
23					
24					
25					
...					

TOT1	.....	Total to Part 7	1,612,909
PC1	.....	% LECB	49.03

ULSTER BANK LIMITED

Minutes of the meeting of the
Group Asset & Liability Committee on 29 April 2004

Present:

M Torpey (Chairman)
G Murray
M McKavanagh
G Brown
P Meahan (as alternate to P Wilson)
J McNamara (as alternate to A J McKeon)

In attendance:

P Leverick
C Baird
M Irwin
I Tyler
D Kissane
C Kelly (Secretary)
S Groarke

1) Apologies

Apologies were received from John McDonnell, A J McKeon, John McNally, Dom Williams, Michael Bamber, Olga Breen, Peter Wilson, David Morrison and Des Fitzgerald.

2) Minutes

The minutes of the meeting held on 31 March 2004 were agreed and adopted.

3) Matters Arising

Issue Log

<p>➤ IAS 39 Hedging & Measurement See agenda item 7.1</p>
<p>➤ UBG/First Active Integration – Include as Standing Item on GALCO Agenda See agenda item 7.3</p>
<p>➤ Concentration of Sectoral Exposures Provide GALCO with update on status of request to IFSRA for dispensation of UBIL Belfast Branch from Property Sector Exposure requirement – UBIL near sectoral limits at end of March. IFSRA unlikely to give UBIL an exemption in the near future. Reliable Commercial Lending growth figures required from the business. Additional risk transfers required by end of April. RBS GALCO may need to approve increased limits for UBIL.</p>
<p>➤ Include UBIL’s actual sectoral concentration to Property sector within Monthly Briefing Pack (calculated on a quarterly basis) Now included in the GALCO pack. Matter closed and removed from Issues log.</p>
<p>➤ Monthly Briefing Pack – update GALCO on status of currency FA’s compliance with CBI 25% liquidity ratio now included on page 15 of the briefing pack. Matter closed and removed from Actions Log.</p>
<p>➤ Monthly Briefing Pack – update GALCO on status of currency balancing line split between FA and UB, and suggest timescale for submission of formal request to GALCO for new balancing line limits for enlarged Group FA’s balancing line has been within limits for the past 2 months. Additional reconciliation work is currently being performed to reduce the balancing line further. To be updated at May GALCO</p>
<p>➤ Personal Credit Balances – Provide reason for fall in retail personal credit balances since the year end Email sent by CB following March GALCO explaining the decline. Matter closed and removed from Issues log.</p>

4) Ulster Bank Group Monthly Briefing Pack

The Monthly Briefing Pack was noted by the Committee. The pack included First Active plc (“FA”) unless where specifically referred to.

- It was noted that the Loans to Banks had increased by £500m over the month (page 1).
- There were no significant movements to report on the non-wholesale divisionalised balance sheets (Pages 3 & 4). House Mortgages RI continued to run well ahead of planned volumes. Favourable volume variances in Business Centres RI and Property were offset by adverse variance in Corporates.

- The capital ratios presented on Page 9 were all within regulatory limits for the month.
- It was noted that there was significant Euro surplus capital being maintained by UBG (page 10). I Tyler pointed out that under RBS policy, such Euro surplus capital should be maintained within 25 bps of total group target ratio. CB to draft paper on the capital position for the May GALCo.
- It was noted that the UBIL Property Sector Concentration was at 248%, close to the CBI limit of 250%, and that additional risk transfers would need to be undertaken to keep the ratio within IFSRA guidelines. It was noted that UBIL's corporate lending in Q1 had already exceeded the full year's projection provided by CB&FM Finance.
- Risk Weighted Assets (Page 11) - underlying RWA's increased on prior month.
- Structural Interest Rate Exposures (Page 12) - Additional swaps were required on both the Euro the STG book due to (i) requirement to reduce NII sensitivity levels (ii) the sell down of capital and (iii) the movement of some FA assets & liabilities from the Galco book to the FM book. It was noted that there is likely to be more hedging activity on the Euro book going forward.
- Structural FX (Page 13) – It was noted that the structural FX risk was €60m higher than reported due excess of capital issued to acquire First Active (€980m) over amount capitalised to date (€920m) not yet having been sold down for STG. A paper on the capital position will be brought to the May GALCo.
- Sterling Operational Liquidity – it was noted that the 1-30 day limit was nearly reached during the month.
- Currency balancing line (Page 15) – It was noted that there was a small breach in the cumulative mismatch report during March. This was reported at the March GALCo.

5) Economic Update

- EURO Rates - GM reported that recent economic data was suggesting that economic activity was picking up and that therefore it was unlikely that the ECB would reduce rates again in the short term. STG Rates – GM / PL reported that it was anticipated that there would be an imminent interest rate increases during the year and that if it did not occur in May it would be very likely to occur in June.
- It was noted that the Irish economy appeared to be picking up quicker than the rest of the EU and that should be positive for UBG's ROI lending targets for the year.

6) Margin Analysis

- M McKavanagh noted that the increase in UK interest rates should help to pick up STG margin. He also noted that the Finance Department have recently started providing some useful new business margin data, which has improved the ability to monitor and control new business.
- J McNamara noted that margins had not moved significantly month on month. Margins are behind plan in the Business Centres, ahead in corporate (ROI), and on plan in property and Corporate (NI).

7) Special Issues

7.1 IAS 39 – Hedging and Measurement Target Operating Model

- SG presented a paper outlining the proposed target operating model for UBG.
- A separate paper detailing the economic impact of the model will be produced for the next GALCo.
- It was noted that if bonds were to be used to hedge the Euro positions under IAS, that only high quality liquid bonds should be bought.
- It was noted that the fair value accounting route would be required for customer deals which fall outside of this model.
- SG to liaise with RBS in order to finalise and agree the optimal IAS 39 model.
- The paper was noted by GALCo

7.2 Stress Testing of Net Interest Income

- The paper set out the sensitivity of the GBP and EUR GALCo Balance Sheets for UBG (including FA) to changes in base rates (but ignoring lead and lag effects).
- It was noted that the impact of rate movements on the GBP book was largely immaterial.
- It was noted that the EUR book was particularly sensitive to base rate reductions, due to the fact that deposit products would increasingly be hitting floors.
- It was also noted that a further drop in the ECB rate was considered unlikely, however, GM was to consider strategies for immunising UB from further ECB rate reductions.
- In order to assess materiality of the NII sensitivity levels vis a vis total projected NII for the year, UB to revert to GALCO with plan NII figures, split between Stg & Euro.
- The paper was noted by the committee

7.3 Integration Update (Verbal)

- GM provided a verbal update.
- Work was now complete on the behaviouralisation of the FA balance sheet for Interest Rate Risk Management purposes, and the underlying process has been agreed with RBS.
- Documentation surrounding the A&LM integration process is currently being completed.
- It was noted that there will be an internal audit of this process over the coming weeks, although no firm date has been agreed (MT to follow up with Integration Committee).

7.4 First Active Fixed Bond Portfolio – Proposed Retention

- CK presented a paper proposing that the FA Fixed Rate Bond portfolio should be retained for the time being.
- It was noted that the holding of this portfolio was technically against RBS policy, however, under the proposed IAS39 target model, UBG would need to retain a sizeable fixed rate bond portfolio. The costs of selling the current portfolio now (in order to comply with RBS policy) and then reinvesting at the end of 2004 (in order to comply with IAS39 target model), has been estimated to be in the region of €1m.
- It was also noted that 1 or 2 of the fixed rate bonds would have to be sold in any event, as their credit quality was not sufficiently high.
- The committee approved the paper in principal, however, the issue would be revisited during the year.
- It was noted that this paper would not have to go to RBS GALCo.

8) Emerging Issues

- PL provided a verbal update.
- Requirement to issue report on FSA's requirements for Liquidity Systems and Controls by each RBS subsidiary, by the end of April for summary report to RBS GALCO on 10th May.
- PL noted that there would be a paper going to RBS GALCo on the > 1yr intra group funding lines. The paper covers the possibility of using UB Finance for wider group funding, which RBS are currently exploring in conjunction with G Murray.
- Basel – at the moment it is proposed that SOLO consolidation will continue under CAD III (Basel), however, there still remains the threat that solo-consolidation will be taken away under Basel, and that all intra-group exposures (including UK to UK) would have to be weighted for capital adequacy purposes. PL would continue to update GALCO on this.

9) Any Other Business

- **UIFCSC** - The current capital plan for UB involves the liquidation of the UFCSC sub, however, Specialised Finance have a proposed structure, which will require the use of this vehicle. UB GALCO subcommittee has reviewed the proposal and David McNeice is now looking at alternative structures.
- It was noted that the monetary value of the internal UB buffer had increased since the FA acquisition, however so too had the monetary value of the 10% PNWT requirement. Consequently, alternative solutions for UFCSC need to be considered.
- Discussions are currently underway with Deloitte & Touche, to see if the UFCSC capital can be treated as debt and therefore Solo consolidation may not be required.
- **Intra Group limits > 1 year.** UB are currently using a significant portion of these limits due to the tracker bond structure. B Lynch currently looking at alternative swap structure in order to avoid using up these limits.
- **Executive Summary.** D Kissane asked for a 1 page summary of the key issues to be produced for future GALCo packs.

The chairman called the meeting to a close.

M Torpey
Chairman

GALCO Issues Arising From Previous Meetings

<u>Date First raised (Minute reference)</u>	<u>Issue</u>	<u>Responsibility</u>	<u>Date to be reported back to GALCO (if applicable)</u>
July 2003 (Item 5.3)	IAS 39 Hedging and Measurement Updated – to be included as a standing item on GALCO agenda going forward	CK	Ongoing
Oct 2003	UBG/First Active Integration to be included as a standing item on GALCO agenda going forward	CK	Ongoing
February 2004	Provide GALCO with update on status of request to IFSRA for dispensation of UBIL Belfast Branch from Property Sector Exposure requirement	GM	May 2004
February 2004	Monthly Briefing Pack – update GALCO on status of currency balancing line split between FA and UB, and suggest timescale for submission of formal request to GALCO for new balancing line limits for enlarged Group	SG / CK	May 2004
April 2004	Draft paper on UBG's capital position to be produced	CB	May 2004
April 2004	Details of UBG's planned P&L, split between Stg & Euro to be circulated to the committee.	CB / CK	May 2004
April 2004	1 page summary of the key issues to be produced for future GALCO packs.	CK	May 2004

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ULSTER BANK LIMITED

Papers – “Board Paper - UBIL Capital Injection Request”

17th August 2007

Memorandum to Board for its meeting on xx August 2007

Request for €430m Capital Injection into Ulster Bank Ireland Limited and cancellation of €4,525m contract notes between Ulster Bank Ireland Limited and Ulster Bank Limited

Background

In recent weeks, the Irish Financial Regulator (IFR), has increased Ulster Bank Ireland Limited's (UBIL) property sectoral limit from 250% to 500% of its regulatory capital base and may, following a diversification review scheduled for July 2007, be prepared to increase the limit further. This enables UBIL to cancel a series of contract notes which transfer some €4,525m of ROI property sector risk to Ulster Bank Limited (UBL). This excludes contract notes which are transacted for Large Exposure risk diversification purposes.

It will be necessary for UBL to invest a proportionate amount of capital, i.e. some €430m, into UBIL simultaneous to the risk weighted asset migration, to maintain appropriate capital ratios in both companies.

The UBG banks move onto the Basel 2 capital regime from 1st January 2008, and it may be advantageous to build some flexibility into UBG capital accounts to allow for "swing" in aggregate risk weighted assets as the pillar 1 credit and pillar 2 operational components start to become clear. This injection presents such an opportunity.

Proposal

It is proposed to cancel the existing property sector risk contract notes of €4,525m. The tax saving, on re-booking the risk-weighted assets into UBIL, is estimated at €12.7m pa (€4,525m x 1.6% Nil x 17.5% tax differential).

To maintain appropriate capital ratios in UBL and UBIL a capital injection of €430m would be required. A capital adequacy analysis is presented in appendix 1 detailing the effects on UBL and UBIL capital ratios.

It is proposed that this injection would take the form of euro tier 2 loan stock. The tax leakage upon UBIL issuing a debt instrument is estimated at €3.5m pa (€430m x 4.6% coupon x 17.5% tax differential) over issuing equity. This expense is a cost of providing flexibility and is independent of the €12.7m tax savings on cancelling the risk transfers. The injection will be made directly from UBL into UBIL for simplicity. The usual legal and regulatory processes for inter-company injections of capital will be observed. UBIL has sufficient tier 2 capacity to include this form in its ratios.

It is proposed to transact this by the end of September 2007 and to complete both transactions simultaneously to maintain capital ratios. This will be completed as soon as practicable.

Approval Required

The Board is requested to approve the following:

- A capital injection of €430m, by way of dated subordinated debt (Lower Tier 2), direct from UBL into UBIL, by 30 September 2007.
- Cancellation of €4,525m property sector risk contract notes between UBL and UBIL.

Michael Torpey
Group Finance Director
01 August 2007

Appendix 1							
Ulster Bank Group							
Rolling Capital Adequacy Analysis							
	1.4849	1.4493	1.4493	1.4493	1.4493	1.4493	1.4493
	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Ulster Bank Limited							
Capital Base (£m)	1,225	1,404	1,405	1,406	1,407	1,346	1,337
Proposed Injection into UBIL (£m)			-297	-297	-297	-297	-297
Risk Weighted Assets (£m)	11,866	12,201	12,348	12,519	12,684	12,779	12,883
Proposed Contract Note Cancellation			-3,122	-3,122	-3,122	-3,122	-3,122
Capital Ratio Before Proposal	10.32%	11.51%	11.38%	11.23%	11.09%	10.53%	10.38%
Capital Ratio After Proposal	10.32%	11.51%	12.01%	11.80%	11.61%	10.87%	10.66%
Ulster Bank Ireland Limited							
Capital Base (€m)	2,275	2,311	2,360	2,373	2,412	2,601	2,640
Proposed Injection into UBIL (€m)			430	430	430	430	430
Risk Weighted Assets (€m)	22,586	23,409	24,381	24,387	25,271	26,024	26,635
Proposed Contract Note Cancellation			4,525	4,525	4,525	4,525	4,525
Capital Ratio Before Proposal	10.07%	9.87%	9.64%	9.73%	9.54%	9.99%	9.91%
Capital Ratio After Proposal	10.07%	9.87%	9.62%	9.70%	9.54%	9.92%	9.85%



Ulster Bank Ireland Limited

Minutes of a Meeting of the Board of Directors of Ulster Bank Ireland Limited
Held on 10th June 2004 at the Nuremore Hotel, Carrickmacross, Co Monaghan

Present

W J Burgess (Chairman)	J J McNally
M J Wilson (Deputy Chairman)	J McDonnell
C M McCarthy	N Brennan
M G Torpey	

In Attendance

D J Peacock, Joint Company Secretary
J Collister, Joint Company Secretary

20/04 Apologies

Apologies were received from Mr Bamber.

21/04 Minutes of Previous Meetings

The Minutes of the Meeting of the Board of Directors held on 12th February 2004 were agreed and adopted.

The Minutes of the Meetings of the Sub-Committee of the Board of Directors held on 2nd March 2004 and 29th April 2004 were noted.

22/04 Matters Arising

Minute 3/04

It was noted that the report requested at the last board in relation to mortgages sanctioned outside the normal lending criteria would be covered under agenda item 12.

Minute 10/04

The Chairman referred the board to the Report by the Group Audit Committee Secretary which advised that this Committee had received a report from Group IT at its meeting on 20th May 2004 confirming that the rollout of the RBS Group Enterprise Security System was largely complete and that the Auditors had reviewed the implementation and were content to close off the audit management point.

Minute 19/04

Mr McDonnell advised that IT controls had been strengthened, with the introduction of an automated dual control which cannot be manually overridden. Mr Wilson queried whether customers had been aware that the file had not been processed. Mr McDonnell confirmed that affected customers had been notified but that the bank had not suffered any adverse publicity in connection with the incident.

Minutes of Sub-Committee of the Board on 29 April 2004

In response to a query from Professor Brennan, Mr Torpey briefed on the background to the board approval of an indemnity and various other documentation required in connection with the sale of Langella, a subsidiary of Ulster Bank Ireland Holdings, which had been used to facilitate the Group's exit from a structured finance transaction at the customers request.

23/04 Chairman's Remarks

The Chairman noted that Mr Houghton had resigned from the board following his appointment as Director of Development, RBSG Insurance. On behalf of the Board of Directors, the Chairman wished to place on record his gratitude to Mr Houghton for his contribution made to the Board during his term of office as Finance Director and latterly in charge of Integration.

The Chairman commented that at a time where financial institutions are receiving such bad press he had been pleased, when listening to a radio programme recently, to hear the Ulster Bank U First current account, credit cards and switcher mortgages offers being praised.

24/04 Verbal updates from the Executive

Mr McCarthy advised the board that both Retail and Corporate Banking & Financial Markets were performing well, with strong volume growth in the business centres and the switcher mortgage product, which was set against a background of net interest margin attrition.

It was noted that there has been an increased focus on fraud detection, following recent activity in this area. Both Manufacturing and Group Regulatory Risk have been concentrating on heightening staff awareness and a new senior fraud appointment has been made.

25/04 Review of Q1 2004 Performance

Mr Torpey introduced his report that had been circulated in advance of the meeting, which highlighted the main drivers for underlying income and cost movements relative to budget for the period.

Mr Torpey reiterated Mr McCarthy's view that the business was doing well but that margins were under competitive pressure. Mr Wilson, whilst noting that it was pleasing to see significantly increased market share in a number of areas, queried the proportionate improvement. Mr Torpey confirmed that the trend was positive but cautioned the board against placing too much emphasis on the size on the absolute numbers as the quality of market research data continues to evolve. In responding to a query from Professor Brennan as to the quality of new business Mr Torpey advised that the other banks have such a large market share that there is significant scope to take on new business without the quality of lending suffering. It was noted that all new business is subject to the normal RBS/UB credit control procedures. It was further noted that the reduction in Return on Equity as a function of margin and the mix of business, reflects the increased mortgage book.

After further discussion the report was noted.

26/04 Board Committees – Matters Arising in Quarter 1 2004

The Board noted the report from the Secretary to the Group Risk Policy & Controls Committee ("GRP&CC") advising reported regulatory or statutory compliance

breaches.

Oireachtas P

In response to a query from Professor Brennan as to whether staff are required to sign a confidentiality agreement annually, Mr McDonnell advised that whilst a confidentiality agreement is only signed once, on commencing employment, the staff code of conduct is regularly reviewed and staff are required to confirm that they are aware of and adhere to the code of conduct when signing their annual performance appraisal. It was agreed that Mr McDonnell would consider outside of the meeting whether it would be appropriate to include an additional affirmation in relation to confidentiality within the annual performance appraisal sign off going forward.

After further discussion, the minutes of the GRP&CC meetings held during the period were noted.

The Board noted the reports from the Secretaries to the Group Asset & Liability Committee, Group Audit Committee and Group Investment Appraisal Committee.

27/04 IFSRA Related Matters

Review of Fees & Charges

Mr Peacock introduced his briefing memorandum in relation to the IFSRA review of fees and charges. It was noted that the bank had received a generic letter which had been sent to all financial institutions, and that a project team has been established by Mr Peacock, working in parallel with Group Internal Audit, to undertake necessary review work. It was further noted that the Irish Bankers Federation is going to establish a sub-committee in relation to the review. Mr Peacock confirmed to the Chairman that, based on current information, he was satisfied that the reporting submission date to IFSRA would be met.

Allegations of Misselling

It was noted that the bank had received a generic letter which had been sent to all financial institutions. Mr McDonnell briefed the board, confirming that comprehensive guidelines are in place, and that review work will focus on ensuring that the sales force have adhered to these rules.

Advertising of interest rates

The board noted that following receipt of a letter from IFSRA about the interest rates appearing on our website, the contents of the website had been amended.

Proposed IFSRA visit

Mr McDonnell briefed the board on the proposed visit by IFSRA commencing 12th July 2004 to review compliance with the Consumer Protection Codes.

28/04 Banking Licence Project

The Chairman referred to the project to rationalise the Ulster Bank Group's Republic of Ireland banking licences as part of the integration of Ulster Bank and First Active and the proposal to establish a sub-committee of the Board to avoid undue delay in the event that decisions are required outside of the scheduled board dates.

The Board considered the proposal as outlined by the Chairman and being of the opinion that such a sub-committee would be in the interests of the effective management of the integration project, IT WAS RESOLVED that the sub-committee

be, and is hereby, approved and established, and that any two directors, as nominated by the Company Secretary be, and are hereby, authorised to convene the sub-committee as necessary and perform such delegated functions of the Board as may be appropriate in connection with the integration, subject to any restrictions or conditions placed on the sub-committee at any time by the Board.

29/04 Parental Guarantee

It was noted that Ulster International BV, a subsidiary of Ulster Bank Ireland Limited, is to be wound up as part of the continuing project work to rationalise the number of companies in the group. At the date of its last balance sheet this company had net liabilities and the bank was asked by the company's auditors to provide a parental guarantee, to cover this deficit, before the company is placed in voluntary liquidation. It was further noted that as the parental guarantee fell outside the ordinary course of business approval was sought and received from RBS Secretary's Office in accordance with the RBS Group policy and the guarantee issued by Group Secretariat in order to avoid causing undue delay to the liquidation proceedings. The Board considered the request and ratified the issue of the parental guarantee in respect of Ulster International BV for €3,247, in the form submitted to the board meeting.

30/04 High Level Controls Report

There was laid before the meeting a copy of the Ulster Bank Group High Level Controls Document ("HLC") as recently updated and approved by the board of Ulster Bank Limited. This updated version of the HLC, which is referred to in the Board's Terms of Reference, was noted.

31/04 Report on Mortgage Referrals

Mr McDonnell introduced the report which had been requested at the last board (minute 3/04 refers) and confirmed that he was content with the controls in place surrounding sanctioning procedures. Professor Brennan queried the level of sanctions outside limits, especially with regard to those which breached both the loan to value and the debt service ratio limits. In the interests of time it was agreed that Mr McDonnell would meet with Professor Brennan outside the meeting to provide her with additional background in relation to any questions she wished to raise. The Company Secretary agreed to consider whether it would be appropriate for similar reports to be tabled at the Ulster Bank Limited and First Active plc boards.

32/04 Appointment of Corporate Representatives

The Chairman introduced the briefing paper which had been circulated in advance of the meeting which contained a proposal to streamline the procedure for the appointment of corporate representatives to attend meetings of members and creditors, and to bring procedures in the company into line with the practice in Ulster Bank Limited.

After considering the proposal the Board resolved :

- a. That pursuant to Section 139 of the Companies Act 1963 any two Directors of the Company, or any one Director and the Company Secretary, for the time being be and are hereby authorised to appoint such person from the staff of the Group as they think fit to act as the representative of the Company:
 - at any meeting of any body corporate of which the Bank is a member or at any meeting of any class of members of any such body corporate; and

- at any meeting of creditors of any body corporate of which the Bank is a creditor.

b. That any person so appointed be and is hereby authorised to exercise the same powers on behalf of the Bank as the Bank could exercise if it were an individual shareholder of the body corporate.

33/04 Effectiveness of Internal Controls under Turnbull Guidance for the quarter ended 31 March 2004

The Chairman introduced the papers that had been circulated in advance of the meeting; noting that the report for the three-month period ended 31st March 2004 had previously been considered in detail by the Group Risk Policy & Controls Committee ("GRP&CC") and subsequently approved on 14th April 2004 by a sub-committee of the Board of Directors of Ulster Bank Limited, on behalf of the Ulster Bank Group.

After discussion the report was noted.

34/04 Powers of Attorney

The following Powers of Attorney were noted as having been issued or cancelled since the last report to Board:

Subject	Issue	Expiry	Granted to:	Granted by:
BBNI to execute any deed or sign any document (full description available on request).	12/2/04	Until revoked, cancelled or annulled by the bank.	Alan Stewart, Henry Elvin, David McCartney, Richard Ennis, Kevin Kingston, Ciaran McAreavey acting jointly and severally.	Judith Collister, Andrew Blair
Business Centres of Ulster Bank Limited to sign commitment letters in respect of lending facilities extended jointly by the Bank and UBL for facilities upto €1.5 million or its equivalent in any other currency.	12/2/04	Until revoked, cancelled or annulled by the bank.	Any two persons of Manager level or above being office holders within the Business Centres of UBL, acting jointly.	Judith Collister, Andrew Blair
Outsourcing Clearing Operations from UBL and UBIL to Electronic Data Systems (Ireland) Limited ("EDSI")	23/3/04	31/5/04.	John West, Paul Molumby, of UBIL	Deirdre Shannon, Michael Drew
To execute (1) Loan Agreement re €5 million facility to part fund acquisition of	22/4/04	30 days	James Lidieth Associate Director, UBIL	Deirdre Shannon, Michael Drew

Customer information

Customer information amending existing Customer information revolving credit facility.

Party to the Notarial Deed pledging 1,920 shares in the capital of

Customer infor...

27/4/04 31/5/04

The following persons working at NautaDutilh N.V. Rotterdam. Veronica Geertruida van den Berg-Vollebregt, Adriana Berdina Cornelia Oskan, Jollette Rianne van Beusekom, Ilse Lucette Marie Wouterse, Josina Henriette Vegter, Stephanie Marie Louise Elisabeth Schoomhoven-Stoot, Elisabeth Jacoba Louwerier-Diepeveen.

Deirdre Shannon, Michael Drew

35/04 Certificate of Incumbency

It was noted that due to the departure of a number of persons previously included on the authorised signatory list for Financial Markets treasury related contracts, a number people needed to be removed from the list of signatories. After discussion the board **RESOLVED** that Mary McCarroll and Jo Hall be removed from the list of signatories authorised to execute on behalf of the Company any and all contracts relating to the business of the Financial Markets Division approved by resolutions of the board of directors at meetings on 17 June 2002 and 16 July 2003.

36/04 Application of the Company Seal

The Board **RATIFIED** the application of the Common Seal of the Company to 1,751 documents during the period 1st February 2004 to 28th May 2004.

37/04 Sanctions Greater than eq. £20m

The report on sanctions greater than eq.£20m was considered on an exceptions basis and noted.

38/04 Board Dates

The dates for the meetings of the Board of Directors during 2005 were noted as follows:-

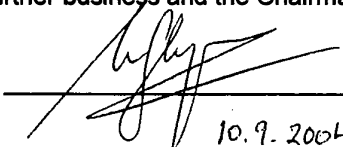
Thursday 10 th February 2005	George's Quay, Dublin
Thursday 9 th or 16 th June 2005	To be finalised
Friday 16 th September 2005	George's Quay, Dublin
Friday 16 th December 2005	George's Quay, Dublin

39/04 Any Other Business

There was no further business and the Chairman declared the meeting closed.

Chairman

Date



 _____ 10.9.2004

Ulster Bank Ireland Limited

Minutes of a meeting of the Board of Directors of Ulster Bank Ireland Limited (the "Bank" or the "Company")
Held on 12th September 2007 at the Ulster Bank Group Centre, George's Quay, Dublin 2

Directors Present

N Brennan (Chair)	M Bamber
C McCarthy	R Gallagher
J McDonnell	P Nolan (via tele-conference)

In Attendance

J Hickey, Group Financial Controller
J Collister, Joint Company Secretary

45/07 Apologies

Apologies were received from Messrs Bowen and Torpey.

46/07 Minutes of Previous Meetings

The Minutes of the Meeting of the Board of Directors held on 7th June 2007 were agreed and adopted.

The Minutes of the Meeting of the Board of Directors held on 17th August 2007 were noted.

47/07 Matters Arising

Tax Group Relief – Mr Hickey briefed the Board on the current status of discussions with the Revenue Commissioners in respect of tax group relief claims and other outstanding tax issues, with good progress having been made. Board noted management's expectation that this issue would be closed by the year end.

Financial MI – Mr Hickey confirmed to the Board that the production of financial management information by SSF had been restored from July 2007 reporting month end, with Ulster Bank management satisfied as to the quality of reporting. It was noted that SSF were currently undertaking a balance sheet assurance project which would be fundamental in building confidence in the validity of reported figures.

48/07 Chief Executive's Report and Review of Q2 2007 Performance (Management Accounts to 30.6.07)

Agenda Items 5 and 6 were taken together.

Mr McCarthy briefed the Board on the financial performance for the six months to 30th June 2007, with operating profit at €323m, being €9m, 3%, above budget. Board noted that the strong fee income from Capital Markets and Retail Direct had offset underperformance in net interest income arising from margin and volume pressure.

The Board deferred detailed discussion on operational issues at the Dublin Mortgage Centre ("DMC") to agenda item 12, but considered the impact of these issues on customer service levels. The Board noted that the Group was currently responsible for a significant proportion of customer complaints reported to the Financial Regulator relative to the Group's market share, primarily relating to mortgage operations, and this was being closely monitored by the executive within both Ulster Bank and RBS. It was further noted that a new concerns process had been established within DMC and this had recorded a fall in reported concerns in the previous month, but that it would be a number of months before a trend could be established. In view of the level of complaints, and the potential reputational damage associated therewith, the Board requested that a paper be presented to the December 2007 board meeting on

customer concerns.

Responding to a query by the non-executives as to why there was not more evidence of the current market turbulence in the financial results, Mr McCarthy explained that the company was benefiting from the endowed effect of its balance sheet. The Board noted that whilst the company was still on target to meet the 6+6 reforecast outturn for the year, trading conditions were expected to be tougher in the second half of the year, with the increased cost of funds and margin pressure from increased competition in the mortgage market starting to come through.

Following a discussion on the company's performance relative to its competitors, during which the Board recognised that the Group was in its first year of a five year strategic plan and that it would take a few years yet to see the real benefits of the current business investment coming through in financial performance, the report was noted.

49/07 Corporate Migration

The Chairman welcomed Mr Hayes, Director of Change Management, to the meeting to present to the Board on the corporate migration project.

Mr Hayes referred the Board to the presentation tabled at the meeting and explained that the corporate migration was the last stage in integrating the Ulster Bank systems with the RBS operating platform. This phase had been previously deferred due to the complexities of the corporate systems and would be fundamental in achieving Corporate Markets ambition to be Number One Business Bank. Mr Hayes outlined the benefits to Ulster Bank and its customers, of increased functionality and enhanced competitiveness through a range of more sophisticated product offerings. Mr Hayes went on to explain the key steps in the programme, which would be delivered on a phased basis, completing Quarter 3 2008.

The Board discussed in detail the benefits of the programme, the staffing implications and the preparations, with particular regard to lessons learnt from finance issues experienced following integration in October 2006. The Board, having satisfied itself that these risks were being addressed, and that the programme was being appropriately governed under oversight of the Executive Steering Committee, determined that it was in the best interests of the Group to proceed with the corporate migration and accordingly, RESOLVED:

- i. To approve in principle the proposal to extend the material outsourcing of Manufacturing functional responsibilities to RBS Group Manufacturing, to include the migration of the Ulster Bank Group's corporate technology systems to the core RBS Group IT platform and the associated £38.1m investment spend; and
- ii. subject to regulatory clearance being received for the proposed material outsourcing, authorise a sub-committee of the Board of Directors, comprising any three directors at the discretion of the Secretary, of which not less than one is to be a non-executive director, to consider and, if thought fit, approve all matters in relation to furthering the corporate technology systems migration.

After discussion the report was noted.

50/07 Preference Share Dividend

Mr Hickey referred the Board to the briefing memorandum that had been circulated in advance of the meeting proposing the payment of an interim dividend.

Mr Hickey explained that it was proposed to pay a dividend to Ulster Bank Holdings (ROI) Limited, which would in turn pay a dividend to Ulster Bank (Ireland) Holdings, which would enable this company to pay a dividend to The Royal Bank of Scotland plc ("RBS") on the preference share capital held by RBS in that company.

The Board, having carefully considered the proposal, and satisfied themselves that the

company had sufficient distributable reserves to pay the dividend as evidenced by the management accounts to 31st August 2007, RESOLVED that an interim dividend for 2007 of €17m be, and is hereby, approved for payment to the holders of the company's ordinary B shares by a date no later than 30th September 2007 at the discretion of Mr Torpey. In considering this proposal, and in view of the significant amount of capital restructuring over the past year, the Board requested that a capital planning paper be presented to the next meeting in December 2007, summarising the capital movements over the past year and forecasting forward for the following year to set in context the capital plans required to support business growth.

51/07 Capital Injection

The Board noted that in light of the current market turbulence it was unlikely that the planned €1.5bn corporate securitisation would proceed this year, which meant the company was likely to require a capital injection in November 2007 to maintain its regulatory capital ratio.

The Board, having considered the proposal, RESOLVED that a sub-committee of the Board of Directors be established, comprising any three directors, at the discretion of the Company Secretary, with authority to consider, and if thought fit, approve all matters relating to a proposed capital injection of up to €200m from Ulster Bank Limited to be transacted by 30th November 2007.

52/07 Board Committee Reports on matters arising in Q3 2007

The Board noted the Reports from the Secretaries of the Risk Management Committee ("RMC"), Group Investment Appraisal Committee, Group Audit Committee and the Group Asset and Liability Committee. The reports were taken as read and considered on an exceptions basis.

In response to a query from the Chairman, Mr McDonnell explained the role of the RMC, as the senior risk committee, in approving BASEL models.

Mr Hickey confirmed to the Board that the Shared Services Finance balance sheet quality assurance review referred to in the Group Audit Committee memorandum had commenced on 1 July 2007. The Board noted that the review was expected to be completed by the year end and that nothing of concern had been raised to date.

After further discussion the reports were noted.

53/07 Mortgages

Stress Testing Requirements

Mr McDonnell referred the Board to the paper on stress testing of residential mortgages that had been circulated in advance of the meeting.

Mr McDonnell explained that the Financial Regulator had been in consultation with the Irish Mortgage Council regarding revision of guidance on stress testing, the current guidance having been first introduced in 2001. The Board noted that following this consultation, and in light of market developments since that time, the Financial Regulator had issued credit institutions with revised standardised guidance on stress testing of residential mortgages, providing for stress testing at 2.75% above ECB base rate (previous to this, stress testing was carried out at 2% above the standard variable interest rate).

The Board, having considered the impact of the proposal on mortgage operations, and noting that it had been considered and approved by the Group Risk Credit Policy and Strategy Committee, RESOLVED to approve the introduction of stress testing at 2.75% above ECB base rate with effect from 30th September 2007.

Review of Policies/Exemptions

Mr McDonnell briefed the Board on mortgage policies reviewed over the course of the preceding year and mortgage lending approved outside policy by reference to the report that had been circulated in advance of the meeting.

In discussing the lending approved outside policy the Chairman expressed disquiet over the continued high exception rate for lending approved outside the Debt Service Ratio ("DSR") limit, notwithstanding the review undertaken by Credit Risk of the reasons for approval of such loans. Mr McDonnell confirmed to the Board that the level of exceptions continued to be closely monitored and that whilst the DSR exception rate was higher than he would like, he was satisfied with the reasons behind the approvals, and with the quality and experience of the underwriting team. The Board noted that following the increase in exception rate at December 2006 revised guidance had been issued in respect of income level requirements which had resulted in some reduction in exceptions.

The Board went on to discuss the arrears and provisioning performance. The Board noted that the company was being assisted in the management of arrears by specialists from RBS, with arrears levels expected to continue to be impacted by the operational issues at DMC until the year end. The Board requested that future reports include the monetary value of arrears in addition to the value of arrears as a percentage of the mortgage lending portfolio to aid analysis.

After further discussion of the mortgage policies reviewed over the course of the year, the report was noted.

IFSRA inspection of Mortgage Operations at DMC

The Board noted that the Financial Regulator ("FR") had carried out an onsite inspection of First Active plc mortgage operations in DMC. In issuing a letter to First Active plc detailing issues arising from this visit the FR had raised a number of points which were also applicable to Ulster Bank Ireland Limited.

After detailed discussion, during which the executive confirmed that these issues were being addressed, the response to the FR was noted.

Mr Nolan left the meeting at this point.

54/07 Equator Funding Offering

Mr Gallagher introduced the briefing memorandum that had been circulated in advance of the meeting.

Mr Gallagher explained that as part of the Ulster Bank Wealth strategy of providing access to the RBS Asset Management suite of investment products alongside Coutts investors, Ulster Bank Wealth was keen to provide Irish investors with access to the Equator Investment Programme. The Board noted that this is a comprehensive investment offering consisting of a range of long-only (traditional) unit trusts covering the major economic regions and asset classes. The Board further noted that in order for Irish investors to invest in this programme it would be necessary for them to invest through a nominee company. An existing Ulster Bank Group company, FNBS International Limited, had been identified as being suitable for this purpose.

The Board, having carefully considered this proposal, and noting that external legal advice had been received on the operation of the nominee company, RESOLVED:

- (i) that the company acquire FNBS Finance International Limited from First Active Holdings Limited; and
- (ii) that any two directors, or any one director and the company secretary be authorised to:
 - execute a share purchase agreement to effect the acquisition;

- agree the terms of the nominee services agreement between the company and FNBS Finance International Limited and to execute the agreement on behalf of the company; and
- agree and sign on behalf of the company any necessary shareholder consents as may be required to give effect to the foregoing resolutions.

55/07 Secretariat Matters

Adoption of Company Seal

The Board noted that the markings on the current company seal had worn away and that in replacing the seal it was proposed to include the RBS Group "snowflake" design in line with the Ulster Bank Limited company seal.

After discussion the Board RESOLVED that the seal, an impression of which appears in the margin of these minutes, be approved and adopted as the common seal of the company in substitution for the existing company seal of the company with effect from 13th September 2007 and that the die of the existing common seal be destroyed.

Application of Seal

The Chairman referred the meeting to the memorandum detailing the affixing of the Common Seal of the Company, which had been circulated in advance of the meeting and **IT WAS RESOLVED** that the affixing of the Common Seal of the Company to the documents numbered 07/29 to 07/47, as detailed in the memorandum laid before the meeting, be and is hereby ratified.

Register of Powers of Attorney

The following Powers of Attorney were noted as having been issued or cancelled since the last report to Board:

<u>Subject</u>	<u>Issue</u>	<u>Expiry</u>	<u>Granted to:</u>	<u>Granted By:</u>
Execution and delivery of documentation re Project Customer ... transaction	5 July 2007	31 July 2007	Declan McGrath, Sean Malone, Philippa Crawford, Dale Williams and Wilson McAlister.	Deirdre Shannon Clare Curran
Execution of Agreements Customer inform...	10 August 2007	Midnight 31 October 2007	Gordon Pell	Judith Collister Michael Torpey

56/07 Analysis of sanctions greater than GBP20m

The report on sanctions greater than GBP20m was considered on an exceptions basis and noted.

57/07 Quarterly Risk & Control Assessment Report

Mr McDonnell briefed the Board on the risks facing the company by reference to the Risk and Control Assessment Report that had been circulated in advance of the meeting.

In discussing the recent significant media attention in respect of the refund of Personal Loan Protector Insurance, the Board noted that the Company still had one significant outstanding refund programme in respect of students which would be commenced shortly.

After further discussion, during which the Board requested that the graph showing risk issues

aged analysis be spread out for greater clarity, the report was noted.

58/07 Liquidity

Issuance of Certificates of Deposit

Mr Hickey introduced the proposal for the company to launch a certificates of deposit ("CD") programme.

Mr Hickey explained that the Group already had CD programmes in both Ulster Bank Limited ("UBL") and First Active plc ("FA"), but that following a change in legislation it was now possible for private companies in the Republic of Ireland to issue CDs. The Board noted that issuing CDs directly out of the company would reduce its reliance on funding from UBL and thus reduce pressure on the intra-group limit.

The Board, having considered the proposal, determined that this represented a suitable way of raising funding, RESOLVED:

1. That the company launch a Certificate of Deposit Program with effect from Q4 2007 and
2. That the Certificates of Deposit Program shall have a limit of € 5 billion.
3. That any one Director, the Company Secretary, or Mr Donal Corbett be, and is hereby, authorised to approve the terms of the following agreements:
 - Deed relating to uncertificated units of a CREST eligible debt security;
 - Issuing and Paying Agent Agreement;
 - Application documents for CrestCo
 - Corporate Certificate for the Company;
 - Power of Attorney;
 - Agency Agreement;

Including such additions or amendments to the documentation as they may deem necessary, and to authorise the signature, execution (as a deed or otherwise) and delivery of these documents and any document ancillary to or related to the above documents, or the Certificate of Deposit Program generally, or any additional agreement, notice or other document and take all such other action which may be required to give full effect to the transaction.

4. That the Company Secretary be, and is hereby authorised to sign the Issuer Application form for CrestCo.

Euro Commercial Paper Programme

The Board of Directors of the Bank noted that Ulster Bank Finance plc (UBF) established a €5 billion euro commercial paper programme (the Programme) on 2 November 2004 and that the maximum limit of the Programme was increased to €8 billion on 30 April 2007. The Directors further noted that the Bank acts as guarantor to UBF's obligations under the Programme pursuant to a resolution by the Board on 8th June 2006, the current maximum limit of the guarantee being set at €10 billion.

Mr Hickey explained that UBF proposed to increase the maximum limit of the Programme from €8 billion to €12 billion and that the maximum limit of the guarantee from the Bank would accordingly need to be increased to €12bn on the terms as outlined in the Programme.

After consideration of the proposal the Board RESOLVED that:

- the increase of the Bank's guarantee of the Programme to a level of €12 billion be approved ; and
- any one Director, the Company Secretary or Mr Donal Corbett, be and is hereby authorised, to approve and execute any and all documentation and take any steps required or desirable to facilitate the increase of the maximum amount of the

Programme and the Bank's guarantee of the Programme".

59/07 **Sandyford**

The Chairman introduced the proposal to vary the terms of the framework agreement for the sale of Sandyford that had been circulated in advance of the meeting.

The Board noted that the Board of Ulster Bank Limited ("UBL"), at its meeting on 6th September 2007, had approved a variation under the existing framework agreement under which UBL would receive guaranteed sales proceeds of €30m in exchange for removing the overage provision. The Board further noted that as the company leased the property from UBL it was party to the original disposal agreement and must therefore enter into the deed of variation.

After discussion the Board RESOLVED:

- (i) to agree to the variation of the framework disposal agreement for Sandyford under which the overage provision would be removed in exchange for increasing the disposal proceeds by €10m; and
- (ii) that any two directors, or any one director and the company secretary be, and are hereby authorised, to agree the terms of the variation agreement, in conjunction with the legal advisors, and to execute any documentation required in furtherance of the foregoing resolution.

60/07 **Any Other Business**

There was no further business and the Chairman declared the meeting closed.

Chairman

Niall Bannan

Date

13 December 2007

For Approval

Memorandum to Board for its meeting on 12th September 2007

Proposal for Dividend payment by Ulster Bank Ireland Limited (UBIL)

Background

As part of a capital restructuring of the Ulster Bank Group earlier in the year, RBS Plc injected two issues of Preference shares in Ulster Bank Ireland Holdings (UBIH) for €150m and €435m. Dividends on these Preference shares were paid in June 2007. The next dividends payable will be due on 31 December 2007.

Currently UBIH does not have sufficient distributable reserves to make these dividend payments. It is therefore proposed to pay a dividend from Ulster Bank Ireland Limited (UBIL) to Ulster Bank Holdings (ROI) Ltd (UBHROI) in September 2007. UBHROI will in turn repatriate this dividend payment to UBIH in October 2007 to facilitate payment of UBIH Preference share dividends payable in December 2007.

Proposal

It is proposed to make a €17m Ordinary share dividend payment from UBIL to UBHROI in September 2007. UBIL's capital ratios can facilitate this dividend payment.

Our legal advisors have confirmed that UBIL is entitled to pay a dividend by reference to the most recent audited annual accounts laid before the AGM of the company, or, if these do not show sufficient distributable reserves, such interim accounts as are necessary to enable a reasonable judgement to be made as to the level of distributable profits available.

The August 2007 interim management accounts of UBIL (attached in appendix 1) show that UBIL had distributable reserves of €422m at that date.

On that basis, I am recommending that the Board proposes an interim dividend for 2007 of €17m to be paid to holders of UBIL's ordinary B shares.

Ulster Bank Group Tax have confirmed that there are sufficient excess foreign tax credits in the UK to shelter the tax that would otherwise arise on the repatriation of the reserves to UBHROI (circa. €3m, stg£2m).

Approval

Board is requested to approve an interim dividend for 2007 of €17m to be paid to the holders of UBIL's ordinary B shares, with the dividend to be paid no later than 30th September 2007, at the discretion of Michael Torpey.

Approval has been obtained from UB GALCo.

Michael Torpey
Group Finance Director
29 August 2007

Memo

Date: 12th December 2007

To: Martin Reilly

From: Ruth Carroll

Subject: Ulster Bank, Dublin Mortgage Centre – File note regarding the sanctioning of new loans

The evaluation of the controls surrounding the sanctioning of new loans in Ulster Bank Dublin Mortgage Centre (DMC) yielded satisfactory results overall. The assessment focussed on the criteria for which an applicant is granted a loan, and was based on policy documentation provided by the Underwriting Team. This included:

- Underwriter's discretionary limit for loan approval;
- Loan to Value Ratio applicable to specific mortgages;
- Debt Service Ratio (total financial commitments over net monthly income) applicable to specific mortgages.

The testing highlighted certain risks surrounding the underwriting process. It appears that while there are well documented underwriting policies for each of the products offered by DMC, these can be overridden at a staff member's discretion. Specifically, a loan was granted to an applicant whose Debt Service Ratio (DSR) was much higher than the prescribed limit per the policy documentation; it was allowed based on the applicant's business connections. The decision to accept a loan application which is outside the DSR threshold is judgmental. There are no set criteria for this decision, although Net Disposable Income (or Free Income) is often a key determinant; however there is no documentation as to what a sensible Net Disposable Income is.

An Exception Report detailing such cases is maintained by the Underwriting Team (although this has only been implemented since mid-November 2007 for the Offset Mortgages Team - prior to this no report noting exceptions was kept for this product). There is no formal documentation as to what constitutes an acceptable exception for underwriting. A copy of the most recent Exception Report was obtained, and for a number of the cases documented as exceptions, there was no justification as to why the loan was granted. It seems that exceptional loans could be listed on the sheet as more of a formality than anything else.

Furthermore, the mortgage system does not automatically flag cases of underwriting outside of discretion levels or credit policies. Identification of such exceptions is a manual process, done by looking at two of the loans approved per member of the Underwriting Team a week. If a loan is underwritten outside of discretion levels, and the underwriter omitted to catalogue this loan in the Exceptions Report, the only way it could be detected would be if the loan in question was selected as one of the files reviewed each week.

2330 Audit Summary Memorandum

Last updated: October 2008

Use this memorandum for each audit engagement to document key matters arising from our audit and the major findings, rationale and conclusions on important auditing, accounting, and reporting issues. Sufficient information should be included in the memorandum to support our conclusions about engagement risk, the specific risks and the response to such risks, our evaluation of misstatements and our conclusions on the appropriateness and sufficiency of our audit procedures and evidence. All sections should be completed where they are applicable to enable us to document how the right judgements have been made. The aim should be to communicate succinctly and clearly.

Client name: ULSTER BANK LIMITED

Period end: 31 DECEMBER 2008

ENTITY INFORMATION

Nature of the entity, financial reporting framework used, industry specific reporting requirements and locations of the components of the entity

Ulster Bank Limited ('the Group' or 'UBG') incorporates the company Ulster Bank Limited (UBL) and subsidiaries. The principal subsidiaries are Ulster Bank Ireland Limited (UBIL) and First Active plc (FA). The Group offers services to retail and corporate customers throughout Ireland. During the year, the Group had almost 300 branches and approx 60 Business Centres across the Republic of Ireland and Northern Ireland. The Group has manufacturing centres in Dublin and Belfast.

The financial statements and the Group and all its subsidiaries are prepared under IFRS. As Ulster Bank Limited (both Group and Company) were incorporated in Northern Ireland they comply with the Companies (Northern Ireland) Order 1986 while UBIL and FA comply with Irish company law, Companies Acts 1963 to 2006.

The Group is regulated by the Financial Services Authority in the UK while its Irish subsidiaries are regulated by the Irish Financial Services Regulatory Authority in Ireland. Various monthly and annual reporting requirements are required by the relevant regulators.

PLANNING MATERIALITY AND MONETARY PRECISION

Selected Planning Materiality

Current Year	Prior Year
RBSG:£470m	RBSG: £527m
UBG: £20m	UBG: £26m

Selected Monetary Precision

Current Year	Prior Year
RBSG:£375m	RBSG:
UBG: £18m	UBG: £24m

De Minimis Threshold

Current Year	Prior Year
RBSG: £24m	RBSG: £10m
UBG:£0.9m	UBG: £0.5m

CLASSIFICATION OF THE ENTITY'S USE OF COMPUTERS

The entity's use of computers has been classified as: Dominant

OTHER KEY MATTERS ARISING FROM OVERALL AUDIT STRATEGY AND DETAILED AUDIT PLANNING

No matters noted

SUMMARY OF CHANGES TO THE AUDIT PLAN

Document the significant changes, the reasons for the significant changes and our response to the events, conditions or results of audit procedures that results in such changes. Include references to relevant working papers if applicable.

There have been no changes to the Audit Plan which was presented to the Ulster Bank Audit Committee on 24 July 2008.

COMPLIANCE WITH THE DTT AUDIT APPROACH

Where there were any departures from the DTT audit approach noted during the performance of the audit procedures, document the consultation with the member firm professional practice director or their designee, how the alternative audit procedures planned and performed achieve the objective of the audit and, unless otherwise clear, the reasons for the departure.

There have been no departures from the DTT audit approach during the performance of the audit.

CONCLUSION ON RISKS IDENTIFIED DURING THE AUDIT

Engagement risk has been assessed as: Normal

Engagements risk(s) pervasive to the audit engagement and the financial statements as a whole

With reference to the pervasive risks and to increased engagement risks pervasive to the audit engagement as a whole identified per the Audit Planning Memorandum, conclude as to the engagement response to engagement risks identified as documented in the Audit Planning Memorandum.

Details of risk	No pervasive risks noted
Response	N/A
Conclusion and rationale	N/A

Specific risk(s)

Summarise below our conclusions with respect to the specific risks identified during the audit (create a separate table for each specific risk).

#1

Details of risk, including population / sub-population affected	Loan Impairment The Ulster Bank loan portfolio comprises both corporate and retail lending. Credit provisioning continues to be the most significant area of judgement for the Bank. Reliable data, control processes and oversight by Group Risk are vital elements to the provisioning cycle. IFRS has a complex methodology and a detailed set of parameters which must be assessed by management on a continuing basis for the purpose of arriving at the provisioning calculation.
Accounts(s) affected	Impairment Losses
Potential error	Valuation/Presentation
Control activity / management process	The calculation of provisions is done in line with IAS 39 and Group Policy, and is signed off by Head of UB Group Credit Risk, UB

	Group Financial Controller, and RBS Group Chief Accountant. Problem Loans are identified for both Retail and Corporate customers through ongoing monitoring and excess reports
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	<p>Testing has been carried out on the following balances:</p> <p>~ Individual impairment losses: Testing includes a focus on completeness of population of impaired items and an examination of the processes employed by management to estimate future cashflows based on valuation of security.</p> <p>~ Collective & latent impairment losses: reviewed the metrics and models in place for calculating the losses.</p> <p>No issues noted</p>

#2

Details of risk, including population / sub-population affected	Goodwill The Bank carries significant goodwill on the acquisition of First Active. Goodwill is not amortised but is subject to an annual impairment test. Goodwill impairment testing involves the use of significant judgement including identification of cash generating units, preparing cash flow forecasts and the selection of discount and growth rates which can significantly affect the outcome.
Accounts(s) affected	Goodwill
Potential error	Valuation/Presentation
Control activity / management process	RBS Finance Divisions are required to submit data to support Goodwill impairment review for the division. Submissions of data to support this annual review are sent to Group Chief Accountants. The submission will include a valuation and supporting calculations for all reporting units. Valuations are reviewed by UBG Senior Manager before submission.
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	Testing consisted of reviewing projections of future cashflows based on future profitability and growth examined. No issues noted.

#3

Details of risk, including population / sub-population affected	Pensions The assets of the Bank's pension schemes are measured at their fair
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	value and scheme liabilities are measured taking account of a range of assumptions which determine the current period pension cost and the Bank's net pension deficit.
Accounts(s) affected	Pension Liability
Potential error	Valuation/Recording/Presentation
Control activity / management process	The assumptions taken and calculations carried out are reviewed and agreed by management on an annual basis
Audit approach	No Control Assurance / Intermediate Level of Substantive Assurance
Conclusion on design and implementation controls	N/A
Conclusion on operating effectiveness of controls	N/A
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	<p>Tested consisted of the following:</p> <ul style="list-style-type: none"> ~ Detailed review of assumptions with local actuaries ~ Review of UBG assumptions with RBS team ~ Benchmarked assumptions locally against other clients ~ Agreed of data to source systems and returns <p>No issues noted</p>

#4

Details of risk, including population / sub-population affected	Litigation The Bank is exposed to existing and potential litigation where the outcome is uncertain and where the amounts claimed are potentially significant. The Bank has a process for identification and review of potential litigation cases.
Accounts(s) affected	Provisions for liabilities and charges
Potential error	Completeness/Valuation
Control activity / management process	Group legal processes
Audit approach	No Control Assurance / Intermediate Level of Substantive Assurance
Conclusion on design and implementation controls	N/A
Conclusion on operating effectiveness of controls	N/A
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	<p>Testing consisted of the following:</p> <ul style="list-style-type: none"> ~ Examined the processes in place by the Bank for identification of claims ~ Reviewed the claims register and supporting documentation ~ Made enquiries of group legal and legal advisors. <p>No issues noted</p>

#5

Details of risk, including population / sub-population affected	Areas of Estimation The Bank is required to provide for certain items where estimation is required. Items such as taxation, cost accruals and regulatory
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	provisions are the most significant matters in this regard.
Accounts(s) affected	Accruals
Potential error	Completeness/Valuation
Control activity / management process	Monthly finance controls are performed by UBG Decision Support where balances are reviewed for reasonableness and consistency.
Audit approach	No Control Assurance / Intermediate Level of Substantive Assurance
Conclusion on design and implementation controls	N/A
Conclusion on operating effectiveness of controls	N/A
Substantive audit procedures	Combination of Tests of Detail and Substantive Analytical Procedures
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	<p>Testing consisted of the following:</p> <ul style="list-style-type: none"> ~ Review of cost capture processes based on AP systems ~ Carried out variance reviews ~ Obtained understanding from management as to how the amounts were derived <p>No issues noted</p>

#6

Details of risk, including population / sub-population affected	Credit Risk Management (Property Concentration) There is a significant element of the Ulster Bank balance sheet exposed to the Irish property market in the form of both residential mortgage lending and commercial lending to borrowers whose main security is property.
Accounts(s) affected	Impairment Losses
Potential error	Valuation/Presentation
Control activity / management process	Residential Mortgage TER Committee hold quarterly meetings to review problem debt. Relationship Managers and Credit Risk are responsible for monitoring Corporate loans on an ongoing basis.
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	<p>Testing has been carried out on the following balances:</p> <ul style="list-style-type: none"> ~ Individual impairment losses: Testing includes a focus on completeness of population of impaired items and an examination of the processes employed by management to estimate future cashflows based on valuation of security. ~ Collective & latent impairment losses: reviewed the metrics and models in place for calculating the losses. <p>No issues noted</p>

#7

Details of risk, including population /	Latent Loss Provisioning Methodology
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sub-population affected	The Bank is currently reviewing the methodology applied to its latent loss provisioning models based on the actual loss experience over recent years.
Accounts(s) affected	Impairment Losses
Potential error	Valuation/Presentation
Control activity / management process	The calculation of provisions is done in line with IAS 39 and Group Policy, and is signed off by Head of UB Group Credit Risk, UB Group Financial Controller, and RBS Group Chief Accountant. The Latent Loss assessment is carried out at a business unit level, with reference to 'good' assets pooled together from those business units. The total Loans & Receivables is reduced by the provisioned book, representing those balances assessed in the impaired (bad) book, either individual or collective.
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Substantive Analytical Procedures
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	Testing has been carried out on the following balances: ~ Individual impairment losses: Testing includes a focus on completeness of population of impaired items and an examination of the processes employed by management to estimate future cashflows based on valuation of security. ~ Collective & latent impairment losses: reviewed the metrics and models in place for calculating the losses. No issues noted

#8

Details of risk, including population / sub-population affected	Liquidity Management There is significant pressure in the wholesale funding market due to the global tightening of liquidity since Autumn 2007. The Bank may be restricted in the capital markets it can access due to the virtual <div style="background-color: black; color: white; text-align: center; padding: 5px;">Oireachtas-P</div>
Accounts(s) affected	Loans and Advances to Banks Deposits by Banks Customer Accounts (Deposits)
Potential error	
Control activity / management process	There is a continuing emphasis on deposits and on improving the loan to deposits ratio with the Group.
Audit approach	No Control Assurance / Intermediate Level of Substantive Assurance
Conclusion on design and implementation controls	N/A
Conclusion on operating effectiveness of controls	N/A
Substantive audit procedures	Tests of Detail
Document the identifying	Testing consisted of the following:

characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	~ Review of UBG & RBS cashflow/liquidity analysis ~ Reviewed the Funding Plan prepared by the client and agreed the level of funding required in the coming year to Marc Dumbell, Deloitte, Director on the RBS Group team No issues noted
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#9

Details of risk, including population / sub-population affected	Corporate Migration The Bank is undertaking a Corporate Markets system migration which will take place over two periods (July and August). A team has been established in Corporate Markets to review and document the controls which are being impacted and will test the operating effectiveness of the controls pre and post migration.
Accounts(s) affected	Treasury and Other Bills Loans and Advances to Customers Loans and Advances to Banks Debt Securities Derivatives Deposits by Banks
Potential error	Completeness/Validity/Recording
Control activity / management process	A team has been established in Corporate Markets to review and document the controls which are being impacted and will test the operating effectiveness of the controls pre and post migration.
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Tests of Detail
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	Testing consisted of the following: ~ Reviewed the project management controls and reviews by Group Internal Audit ~ Tested pre-migration and post-migration controls ~ Tested the year end numbers affected by corporate migration and ensured source systems were reconciled to Walker No issues noted

#10

Details of risk, including population / sub-population affected	Revenue recognition is a specific risk in relation to all interest income and non-interest income balances
Accounts(s) affected	All interest income and non-interest income balances
Potential error	Recording
Control activity / management process	As part of the month-end routines, UBG Decision Support carry out an analytical review on all income and expenses. Transactions are reviewed for reasonableness and consistency. UBG Decision Support are responsible for signing off profit and loss items and performing their own reviews of the ledger during the closing process.

	The overall business results are incorporated into a Flash Report which is presented to the Finance Director for challenge and approval.
Audit approach	Control Assurance / Basic Level of Substantive Assurance
Conclusion on design and implementation controls	Effective
Conclusion on operating effectiveness of controls	Effective
Substantive audit procedures	Combination of Tests of Detail and Substantive Analytical Procedures
Document the identifying characteristics of the specific items being tested, the results of the audit procedures, the audit evidence obtained, significant matters arising and conclusions reached	Testing consisted of the following: ~ Combination of tests of detail and substantive analytical procedures as appropriate No issues noted

For each specific risk identified and for which our report is not modified, is the audit engagement partner fully satisfied that the risk of giving an incorrect report is not unreasonable?

Yes

SUMMARY OF CONCLUSIONS AND FINDINGS FOR THE SIGNIFICANT ACCOUNT BALANCES AND DISCLOSURES

Sufficient audit evidence has been obtained to support an unqualified opinion

ACCOUNT BALANCES AND POTENTIAL ERRORS WHERE WE NEED TO PERFORM MORE THAN JUST SUBSTANTIVE PROCEDURES

Document the additional testing on controls sufficient to obtain control assurance over all account balances and potential errors for which we concluded that substantive procedures alone were not adequate for the purpose of our audit.

N/A – None noted

SUMMARY OF CONTROLS WORK AND FINDINGS

The design & implementation and operating effectiveness of controls within all significant flow of transactions have been tested and were found to be effective. There were no significant findings that were required to be brought to the attention of management or the RBSG auditors.

CONTROL DEFICIENCIES

The following entity-level and process-level deficiencies have been identified (create a separate table for each deficiency):

Description of the control deficiency	None noted
Assessment of control deficiency	Control deficiency / Significant deficiency / Material weakness (delete as applicable) N/A

Document to whom and how the deficiencies were communicated	N/A
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OTHER SIGNIFICANT MATTERS REQUIRING THE EXERCISE OF JUDGEMENT INCLUDING THE CONSIDERATION OF ESTIMATES AND BIAS

Note: When a significant matter requires further audit procedures, it is ordinarily considered an audit risk and should be documented in the table above. During the audit we identified the following significant matters requiring the exercise of judgement:

There are no other significant matters requiring the exercise of judgement other than those mentioned within the 'Specific Risks' above.

KEY MATTERS (IF ANY) ARISING FROM USE OF OTHER AUDITORS, INTERNAL AUDITORS, TAXATION OR OTHER SPECIALISTS

No matters arising from use of ERS and Taxation specialists.

CONSULTATION ON DIFFICULT OR CONTENTIOUS MATTERS

Cross refer to the consultation workpaper(s) or outline the difficult or contentious matters which have been subject to consultation and the outcome of that consultation.

No consultation required

ISSUES ARISING FROM RELATED PARTY TRANSACTIONS OR OTHER TRANSACTIONS WHICH DO NOT APPEAR TO US TO MAKE COMMERCIAL SENSE OR EXCESSIVE PRIVATE USE OF CORPORATE ASSETS

Outline the issues that arose and their resolution.

No such issues noted

ISSUES RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS

Consider the implications of non-compliance in relation to other aspects of the audit, particularly the reliability of written representations.

No non-compliance with laws and regulations noted

ISSUES ARISING IN RELATION TO SIGNIFICANT ACCOUNTING ESTIMATES NOT ALREADY DEALT WITH ABOVE

E.g. relating to overall bias or inconsistency with our understanding of the entity and its environment or with audit evidence obtained. Outline the issues that arose and their resolution.

All significant accounting estimates dealt with above within 'Specific Risks'

ISSUES ARISING FROM OVERALL REVIEW OF FINANCIAL STATEMENTS

Outline the issues that arose and their resolution.

No issues noted

LIMITATIONS ON SCOPE OF AUDIT

Outline the issues that arose and their resolution.

There were no limitations on the scope of the audit

CONTRADICTORY OR INCONSISTENT INFORMATION IN RESPECT OF ANY SIGNIFICANT MATTERS

If information has been identified which is inconsistent or contradicts the final conclusion regarding a significant matter, document how the contradiction or inconsistency was addressed in forming the final conclusion.

No contradictory or inconsistent information noted

CONCLUSIONS ABOUT THE APPROPRIATENESS OF GOING CONCERN

Where there are going concern issues, document the matter and the nature of its resolution e.g. additional or amended disclosures considered necessary, inappropriateness of going concern basis.

See 'Going Concern Considerations Programme' at <2360> AS/2

CONCLUSIONS ON EVALUATION OF MISSTATEMENTS AND DISCLOSURE DEFICIENCIES

Satisfactory/Unsatisfactory (delete as appropriate)

Document how we reported all unadjusted misstatements and disclosure deficiencies to those charged with governance.

See 'Evaluation of Misstatements' at <2340> AS/2 and 'Assessment of Financial Statement Disclosures' at <2341> AS/2

OVERALL CONCLUSION AS TO WHETHER THE AUDIT WORK CARRIED OUT AND THE EVIDENCE OBTAINED ARE APPROPRIATE AND SUFFICIENT TO SUPPORT OUR AUDIT OPINION, INCLUDING WHERE REQUIRED WHETHER THE ACCOUNTS HAVE BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF THE RELEVANT FINANCIAL REPORTING FRAMEWORK AND APPLICABLE LAW AND GIVE A TRUE AND FAIR VIEW

Satisfactory / Unsatisfactory (delete as appropriate)

If the answer is unsatisfactory, document the matter and the nature of its resolution e.g. change of disclosures, additional disclosures considered necessary, override needed (consult NAA)

N/A

OVERALL CONCLUSION AS TO WHETHER OUR REPORT NEEDS TO REFER TO OTHER MATTERS

Consider whether:

- the company has not kept proper / adequate accounting records;
- adequate returns have not been received for branches not visited;
- the financial statements are not in accordance with accounting records and returns or other relevant matters;
- in the case of a quoted company, that part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns;
- all information and explanations that, to the best of our knowledge and belief, we consider necessary have not been obtained; or
- if the accounts and report have been prepared in accordance with the small companies regime, they are not entitled to do so.

[Duty to include particulars omitted from the financial statements (company duties set out below)]

Ulster Bank

Period End: 19/01/2009

Audit Summary Memorandum 2008

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- requirements concerning directors' benefits (remuneration, pensions and compensation for loss of office) are not complied with in the financial statements; or
- in the case of a quoted company, the requirements as to information forming the part of the directors' report to be audited are not complied with in that report;

(For other types of entity consider relevant duties.)

N/A – Not considered necessary

CONCLUSION ON INFORMATION ISSUED WITH FINANCIAL STATEMENTS INCLUDING DIRECTORS' REPORT / OFR / GOVERNANCE DISCLOSURES

Satisfactory

CONCLUSION ABOUT THE EFFECT OF SUBSEQUENT EVENTS REVIEWS

See 'Commitments, Contingencies and Subsequent Events' at 2373 AS/2

No issues noted

OTHER MATTERS

No other matters noted

MANAGER REPRESENTATIONS

I have reviewed the financial statements and our audit files and read all other statements and information contained in the annual report. We have performed our work in accordance with the Deloitte Audit Approach Manual, International Standards on Auditing (UK & Ireland), ethical and other relevant requirements and the nine fundamental principles of independent auditing, as set out in The Auditors' Code. I am satisfied that our audit is complete and that our audit report may now be given. The key issues including those closed are described above.

Audit Manager: Ciara Looney

Date: 2 February 2009

PARTNER REPRESENTATIONS

I have carried out a review of the audit documentation and discussion with the engagement team in accordance with the Deloitte Audit Approach Manual and have evidenced it by initialling documents manually or electronically that I have seen including:

- independence documentation
- the planning documentation (including risk assessment and response)
- lead schedules
- any pervasive risks
- specific risks and other issues and related audit evidence
- evaluation of misstatements and sufficiency of scope of work
- this audit summary memorandum and 2321 Financial Statement Review, which cover all critical areas of judgement (including difficult or contentious matters)
- proper documentation, which is supported by reference to appropriate and sufficient audit evidence, setting out the thought processes undertaken to form key audit judgements
- the tax report
- the financial statements
- the WinCheck disclosure checklist exception report where applicable
- the information issued with the financial statements
- the auditors' report and reports to those charged with governance

- any other areas which I consider important.

My review has also included the underlying working papers in those areas in which significant risks have been identified to the extent judged appropriate and any working papers prepared by the manager.

I am satisfied that:

- members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;
- the nature and scope of, and conclusions resulting from, such consultations are appropriately documented and, where they are difficult or contentious, agreed with the party consulted; and
- conclusions resulting from consultations have been implemented.

I have read APB Bulletin 2008/01 on audit issues when financial market conditions are difficult and credit facilities may be restricted, and confirm that to the extent considered necessary the guidance therein has been taken into account in the audit planning and audit procedures performed.

The audit has been carried out in accordance with my instructions and my review points have been dealt with to my satisfaction. I have understood, assessed and addressed the risks of this engagement and have considered and appropriately dealt with all significant issues raised in the course of this assignment. We have performed our work in accordance with the Deloitte Audit Approach Manual, the applicable APB's Ethical Standards and all International Standards on Auditing (UK & Ireland) that are relevant to the audit, the Firm's policies and procedures, and other relevant requirements and the nine fundamental principles of independent auditing, as set out in The Auditors' Code (see note below). I am satisfied with, and take responsibility for, the quality and risk management of the audit engagement including its resources, assignment of personnel, leadership, direction, supervision and review.

Audit Engagement Partner: Martin Reilly	Date: 3 February 2009
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Note: The fundamental principles in The Auditors' Code are: Accountability; Integrity; Objectivity and Independence; Competence; Rigour; Judgement; Clear complete and effective communication ; Association; Providing Value.