

Compliance with the Capital Requirements Directive (CRD IV)

Article 96 of the fourth Capital Requirements Directive (CRD IV) requires institutions to set out a statement, on the institution's website, on how they comply with the requirements of Articles 88 to 95 of the Directive, some of which are implemented in the UK through the Prudential Regulation Authority (PRA) Rulebook and the Senior Management Arrangements, Systems and Controls (SYSC) manual of the Financial Conduct Authority (FCA) Handbook.

Ulster Bank Limited (UBL) is a member of the Royal Bank of Scotland Group plc (RBS). UBL is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA.

This document confirms that UBL complies with the CRD IV requirements, which cover (1) Governance; (2) Remuneration and (3) Reporting, as outlined below.

1. Governance

The management body (the Board)

Sections 4.3A.1 R – 4.3A.7R of SYSC set the requirements for the management body including its role, its chairman, its members, induction and training of members and the number of directorships an individual director may hold.

The Board is the main decision-making forum for UBL. It has overall responsibility for management of the business and affairs of the company, the establishment of strategy and the allocation and raising of capital, and is accountable to its shareholders for financial and operational performance. The Board considers strategic issues and ensures the company manages risk effectively through approving and monitoring the company's risk appetite, considering stress scenarios and agreed mitigants and identifying longer term strategic threats to business operations.

Members of the Board are committed to observing high standards of corporate governance, integrity and professionalism. The Board is collectively responsible for the long-term success of UBL and delivery of sustainable value to shareholders, ultimately to RBS as the parent company. The Board provides leadership of UBL within a framework of prudent and effective controls which enables risk to be assessed and managed.

The Board's terms of reference includes key aspects of the company's affairs reserved for the Board's decision and are reviewed at least annually.

There are a number of areas where the Board has delegated specific responsibility to management, including in particular to the Chief Executive. These include executive responsibility for the day to day management of all UBL businesses as well as reviewing high level strategic issues and considering risk matters and material issues in advance of these being considered by the Board and/or its Committees.

The roles of Chairman and Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive directors. The Chairman ensures that the performance of individual directors and of the Board as a whole is evaluated regularly and also ensures that UBL maintains effective communication with shareholders and other stakeholders. The Chief Executive Officer has responsibility for the UBL businesses and acts in accordance with authority delegated by the Board. Responsibilities of the Chief Executive include leading the senior management team, developing and delivering the strategy approved by the Board and acting as champion of the culture and values of UBL. The non-executive directors combine broad business and commercial experience with independent and objective judgement and they provide independent challenge to the executive directors and the leadership team.

The Board is structured to ensure that the directors provide UBL with the appropriate balance of skills, experience and knowledge as well as independence. The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across UBL's business activities. UBL also has a comprehensive formal induction programme for new directors that includes visits to the major divisions and meetings with directors and senior management.

On appointment, each director is provided with RBS's guidelines for referring conflicts of interest to the Board. UBL has procedures in place to ensure that the Board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively.

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Non-executive directors must confirm they are able to allocate sufficient time to meet the expectations of the role as part of their appointment with UBL. Directors have been briefed on the limits on the number of other directorships that they can hold under the requirements of CRD IV. Each director is required to seek the agreement of the Chairman before accepting additional commitments that might affect the time the director is able to devote to his or her role as a non-executive director of UBL. The Board monitors the other commitments of the Chairman and directors and is satisfied that they are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Role of the UBL Nominations Committee

Sections 4.3A.8 R – 4.3A.10R of SYSC set the requirements for a nominations committee including its membership, resources, need for appropriate funding and activities.

The UBL Nominations Committee comprises non-executive directors and the Chairman and operates as a committee of the Board.

The Nominations Committee is responsible for:

- reviewing the structure, size and composition of the Board and making recommendations to the Board on any appropriate changes, having regard to the overall balance of skills, knowledge, experience and diversity on the Board;
- considering and making recommendations in respect of appointments and membership of Board committees and succession planning; and

The Nominations Committee, in conjunction with its parent, RBS considers potential candidates and recommends appointments of new directors to the Board.

UBL understands the importance of diversity and being an inclusive organisation and, as part of this, recognises the importance of having a greater representation of women at key decision making points in organisations. The search for candidates for the Board will continue to be conducted, and nominations/appointments made, with due regard to the benefits of diversity on the Board, however, all appointments are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board.

The Board remains supportive of Lord Davies' recommendations and UBL currently exceeds the target of 25% female board representation as set out in Lord Davies' 2011 report. The Board Diversity Policy can be found at <http://digital.ulsterbank.ie/globals/about-us/corporate-information/governance.html>.

The balance of skills, experience, independence, knowledge and diversity on the Board, and how the Board operates together as a unit is reviewed annually as part of the Board evaluation.

2. Remuneration

This section sets out how UBL complies with the Remuneration Structures (Chapter 15) of the PRA Remuneration Rulebook.

Remuneration policy

The UBL Remuneration Policy is aligned to the PRA's requirements in Chapter 15 of the Remuneration Rulebook and complies with the principles in relation to the size, nature, scope and complexity of our activities.

The policy is aligned to our business strategy, objectives, values and long term interests of the organisation as evidenced by our remuneration arrangements, our chosen performance metrics and effective risk management in line with UBL's risk appetite.

Remuneration structure

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There is a clear distinction between the criteria for setting basic fixed remuneration and variable remuneration. Fixed pay is set to ensure that it reflects relevant professional experience and organisational responsibility, all considered in the wider context of the business.

Performance related remuneration is typically based on a balanced scorecard approach which measures individual and business performance against objectives which supports the business strategy, good customer outcomes, risk considerations, and financial and non-financial requirements. Performance is assessed against a combination of short term and long term targets. The variable remuneration component is designed to reflect sustainable and risk adjusted performance against financial and strategic measures.

Depending on the amount of the variable remuneration, deferral is applied over a three year period during which time unvested awards remain at risk of forfeiture through malus adjustment. Clawback provisions also apply to variable remuneration in line with regulatory requirements. The payment of variable remuneration does not limit our ability to maintain or strengthen our capital base. Variable pay proposals are reviewed against our capital adequacy framework to ensure that regulatory requirements are met.

We do not allow variable pay that would have otherwise been subject to deferral, to be taken in pension form. Staff Dealing rules prohibit the use of any personal hedging strategies in respect of unvested employee share awards, and this is confirmed in participant award documentation. UBL does not pay variable remuneration through vehicles or methods that facilitate the non-compliance with the requirements of Article 94(q) or EU Regulation n.575/2013.

UBL recognises that remuneration structures from 2014 onwards need to comply with the remuneration requirements of CRD IV, implemented for banks in the UK by the PRA, including the cap which limits the maximum ratio of variable to fixed remuneration. UBL applies a 1:1 ratio (of variable to fixed remuneration) for employees subject to the PRA Remuneration Rulebook, and to date has not sought approval from shareholders to award variable remuneration up to 200% of fixed remuneration.

The RBS Group Performance and Remuneration Committee (RemCo)

RBS RemCo is responsible for setting the Remuneration Policy that is consistent with and promotes sound and effective risk management. The Policy is applied consistently across the group and its subsidiaries. The terms of reference of RBS RemCo are available on rbs.com and these are reviewed at least annually by RBS Remco and approved by the RBS Board. The UBL Board reviews and adopts the Remuneration policy on an annual basis.

3. Reporting

Country-by-country reporting

Article 89 of the Directive relates to country-by-country reporting.

This applies to Institutions reporting on a consolidated basis. UBL's parent, RBS, reports on a consolidated basis and meets its reporting obligations in accordance with the requirements of this article, see <http://www.rbs.com/sustainability/serving-society/tax.html>.

Public disclosure of return on assets

Article 90 of the Directive requires disclosure in a firm's annual report and accounts of its return on assets.

UBL will meet its reporting obligations in accordance with the requirements of this article. Details of the return on average total assets can be found on page 4 of the 2015 UBL statutory accounts within the Strategic Report in the attached link <http://digital.ulsterbank.co.uk/globals/about-us/corporate-information/financial-results.html>