Pillar 3 Disclosure 2014

Ulster Bank Ireland Limited

www.ulsterbank.com

Pillar 3 Disclosures 31 December 2014

This Pillar 3 Disclosure for 2014 is applicable to Ulster Bank Ireland Ltd ('UBIL'). UBIL is a company incorporated in the Republic of Ireland which forms part of Ulster Bank ('UBG') whose ultimate parent is The Royal Bank of Scotland plc ('RBS').

Basis of disclosure

UBIL is a significant subsidiary of an EU parent institution. Reduced disclosure requirements apply to significant subsidiaries of EU banking parents in accordance with Article 13 (1) of Regulation (EU) No 575/2013. UBIL is required by its supervisors to publish an annual disclosure in accordance with the requirements for significant subsidiaries.

UBIL Pillar 3 Disclosures for 2014 are reported as part of the significant subsidiary disclosures within the RBS Pillar 3 Annual Disclosure in attached link (http://www.investors.rbs.com/~/media/Files/R/RBS-IR/2014-reports/pillar-3-report-2014.pdf). The UBIL disclosure tables within this document have been extracted from the RBS Pillar 3 document and supplemented with additional qualitative information. A comparison against the UBIL 2013 disclosures has been shown in the tables below.

This disclosure should be read in conjunction with the UBIL 2014 Financial Statements. The management of market risk, interest rate risk, currency and liquidity risk is outlined in Note **23** of UBIL's Financial Statements. Additional information on credit risk management is also provided in the UBIL 2014 Financial Statements.

In reading this disclosure, the following points must be noted:

- The disclosures represent a regulatory rather than an accounting consolidation. Certain aspects of the business (e.g. special purpose vehicles) are included in financial but not regulatory reporting; therefore these disclosures may not be comparable with other external disclosures by UBIL.

- The disclosures relate to the position at 31 December 2014 and have been prepared in accordance with applicable legislation effective at this date. The comments relate to the business structure, governance and risk management approach at that date.

- The information has not been subject to external audit.

Background

The Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV - which was enacted in Irish law by S.I. No. 158 of 2014 and S.I. No. 159 of 2014), requirements are being implemented on a phased basis from 1 January 2014, with full implementation from 1 January 2019. The capital resources disclosures for 2014 below reflect the transition arrangements of the legislation together with the Central Bank of Ireland (CBI) guidance (Implementation of Competent Authority Discretions and Options in CRD IV and CRR) on the application of transitional rules in Ireland. The Basel framework is based around the following three Pillars:

- *Pillar 1 – Minimum capital requirements:* defines rules for the calculation of credit, market and operational risk. Risk-weighted assets (RWAs) are required to be calculated for each of these three risks. For credit risk, the majority of RBS (inclusive of UBIL) uses the advanced internal ratings based (IRB) approach for calculating RWAs.

- *Pillar 2 – Supervisory review process:* requires banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) for risks either not adequately covered in, or excluded from, Pillar 1. The UBIL ICAAP, including the Pillar 2 add-on, is informed by the output of the Material Integrated Risk Assessment (MIRA) process. The ICAAP submission is followed by the SREP review process lead by the Joint Supervisory Team of the CBI, the European Central Bank (ECB) under the Single Supervisory Mechanism ('SSM'). UBIL's minimum capital requirement, including Pillar 2 requirements, is prescribed within the follow-up SREP letter from the ECB. UBIL ICAAP requirements are managed under the governance of the UBG Executive Risk Committee. The risks considered to require Pillar 2 capital include Concentration Risk, Interest Rate Risk, Operational Risk and Pension Risk. The Pillar 2 capital requirement is reviewed and approved, on a semi-annual basis, by the UBIL Board of Directors.

- *Pillar 3 – Market discipline:* requires expanded disclosure to allow investors and other market participants to understand the risk profiles of individual banks. The level of risk disclosure reporting has increased within UBIL, as well as within RBS and continues to expand to encourage market transparency and stability.

Capital and risk management

UBIL is governed by the UBG and RBS capital management policies which are to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities in order to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business.
UBIL aims to maintain appropriate levels of capital, in excess of regulatory requirements, that ensure the capital position remains appropriate given the economic and competitive environment.

UBIL plans and manages capital resources in accordance with the UBG Capital policy. UBIL capital planning is a key part of the budgeting and planning process. The Risk Weighted Assets ('RWA') by risk type for capital allocation are contained in Table 3 below. The capital plan covers a five year period and is regularly reviewed and updated. The UBG Capital Management Unit ('CMU') and the UBG Asset and Liability Management Committee ('ALCO') monitor the utilisation of capital by tracking the actual capital available on an on-going basis. In carrying out these policies, UBIL has regard to and has complied with the supervisory requirements of the ECB and the CBI. The following tables show the capital resources and capital requirements of UBIL under Pillar 3.

Table 1: Capital resources

	2014 €m	2013 €m
Shareholders' equity		
Ordinary shareholders' equity	6,527	4,611
Non-controlling interests	29	31
Other adjustments to non-controlling interests for regulatory purposes	(29)	(31)
Regulatory adjustments and deductions	(1,156)	(119)
Defined benefit pension fund adjustment	410	218
Other regulatory adjustments	(1,563)	(334)
Expected losses less impairment provisions	(3)	(3)
Common Equity Tier 1 (CET1) capital	5,371	4,492
Additional Tier 1 capital	0	0
Tier 1 Deductions – 50% of Material Holdings	0	(18)
Tier 1 capital	5,371	4,474
Qualifying tier 2 capital		
Qualifying items and related share premium	679	811
Tier 2 deductions		
Other regulatory adjustments	(6)	(21)
Tier 2 capital	673	790
Total regulatory capital	6,044	5,264
Total Risk Weighted Assets	31,065	38,786
CET1 Ratio (2013 Core Tier 1 (CT1) Ratio)	17.3%	11.6%
Tier 1 Ratio	17.3%	11.5%
Total Ratio	19.5%	13.6%

Table 1 Note:

(1) Table 1 extracted from RBS Pillar 3 Tables 1 and 9

(2) Capital and RWA analyses for 2014 are based on CRR applicable in Ireland as promulgated by the Central Bank of Ireland (CBI transitional basis) and analyses for 2013 are based on CRD III basis.

(3) CET1 ratio as reported above of 17.3% shows profit generation reflecting impairment releases as well as lower RWAs due to RCR Ireland deleveraging, an improved economic outlook, and currency movements in the second half of 2014. CET1 ratio includes verified profits to 30 September 2014 in line with COREP submission for 31 December 2014

(4) Total IRB measurement of expected losses at 31 December 2014 was €11.0bn (2013: €14.6bn) Total amount of provisions for IRB at 31 December 2014 was €11.2bn (2013: € 14.6bn)

Table 2: Minimum capital requirements

Risk type	2014 €m	2013 €m
Credit risk		
- Non-counterparty Advanced IRB	2,050	2,469
- Non-counterparty Standardised	250	390
Counterparty risk	44	58
Market risk	3	46
Operational risk	139	139
	2,486	3,102

Table 2 Notes:
(1) Table 2 extracted from RBS Pillar 3 Table 4
(2) Credit risk capital requirements include both intra-group and non-customer assets
(3) Standardised capital requirements include other and transitional capital requirements that have been calculated on a standardised approach
(4) The standardised approach is used to calculate market risk capital requirements
(5) The Standardised (STA) approach is used to calculate the operational risk capital requirement

Table 3: Risk-weighted assets by risk type

Risk type	2014 €m	2013 €m
Credit risk		
- Non-counterparty	28,745	35,743
- Counterparty	547	725
Market Risk	41	577
Operational Risk	1,732	1,741
	31,065	38,786

Table 3 Note:
(1) Table 3 extracted from RBS Pillar 3 Table 3
(2) Exposures to corporates subject to slotting at 31 December 2014 amounted to €705.6m (31 December 2013 €487.3m)

Table 4: Non-counterparty credit risk IRB minimum capital requirements

IRB exposure class and sub-class	**2014** **€m**	**2013** **€m**
Central governments and Central Banks	30	5
Institutions	26	7
Corporates	457	746
Retail	1,488	1,691
Retail SME	72	92
Retail secured by real estate collateral	1,350	1,547
Qualifying revolving retail exposures	52	34
Other retail exposures	14	18
Equities	13	2
Private equity	10	
Other	3	2
Non-credit obligation assets	36	18
	2,050	2,469

Table 4 Notes:
(1) Table 4 extracted from RBS Pillar 3 Table 5
(2) Excludes counterparty credit risk assets

Table 5: Non-counterparty credit risk standardised minimum capital requirements

Standardised exposure class	2014 €m	2013 €m
Institutions	25	82
Corporates	209	297
Retail	1	1
Secured by mortgages on Commercial Real Estate	1	0
Past due	3	10
Other items	11	0
	250	390

Table 5 Notes:

(1) Table 5 extracted from RBS Pillar 3 Table 6

(2) Excludes counterparty credit risk assets

Table 6: Counterparty credit risk capital requirements

	2014 €m	2013 €m
Counterparty credit risk	44	58

Table 6 Note:

(1) Table 6 extracted from RBS Pillar 3 Table 7

Table 7: Market risk trading book and other business minimum capital requirements

	2014 €m	2013 €m
Trading book business		
Interest rate position risk requirement	0	12
Foreign exchange position risk requirement	3	34
Total position risk requirement (standardised approach)	3	46

Table 7 Note:

(1) Table 7 extracted from RBS Pillar 3 Table 8

(2) For commentary on market risk movements, refer to pages 51 to 54 in 2014 UBIL Annual Report and Accounts

Table 8: Past due exposures, impaired exposures and provisions

	2014 €m	2013 €m
Impaired assets	16,381	19,237
Past due assets	119	196
Individually and collectively assessed provisions	11,226	13,599
Latent provisions	478	1,027
Total provisions	11,704	14,626
Charge to income statement	(1,772)	4,846

Table 8 Notes:

(1) Table 8 extracted from RBS Pillar 3 Table 40

(2) Impaired assets excludes debt securities and equity shares totalling €10 million (2013 - €14 million)

Table 8(a): Exposures and provisions by industry sector

Industry sector €m		Gross assets	Individually and collectively assessed provisions	Latent provisions	Total provisions	Charge/(release) to income statement
2014						
Government		51	0		0	0
Finance		194	42		42	0
Personal :	- mortgages	19,630	1,512		1,512	9
	- unsecured	556	85		85	11
Property		9,962	7,241		7,241	(1,186)
Construction		508	163		163	12
Manufacturing		766	152		152	(20)
Finance leases		0	0		0	0
Retail, wholesale and repairs		1,283	427		427	98
Transport and storage		215	25		25	(3)
Health, education and leisure		1,012	157		157	(31)
Hotels and restaurants		927	364		364	(56)
Utilities		271	3		3	0
Other		1,824	1,055	478	1,534	(544)
		37,199	11,226	478	11,704	(1,710)
2013						
Government		67	0		0	0
Finance		259	45		45	18
Personal :	- mortgages	20,163	1,544		1,544	230
	- unsecured	870	153		153	15
Property		13,574	9,321		9,321	3,572
Construction		542	203		203	47
Manufacturing		779	192		192	76
Finance leases		0	0		0	0
Retail, wholesale and repairs		1,439	474		474	163
Transport and storage		259	28		28	18
Health, education and leisure		1,025	241		241	137
Hotels and restaurants		1,171	562		562	160
Utilities		264	2		2	2
Other		2,095	834	1,027	1,861	317
		42,507	13,599	1,027	14,626	4,755

Table 8(b): Exposures and provisions by geographic area

Geographic area	Gross assets €m	Individually and collectively assessed provisions €m	Latent provisions €m	Total provisions €m	Charge/(release) to income statement (3) €m
2014					
UK	1,110	767		767	(28)
Europe	36,089	10,459		10,459	(1,117)
North America	0	0		0	0
RoW	0	0		0	0
Latent			478	478	(565)
	37,199	11,226	478	11,704	(1,710)
2013					
UK	0	0		0	0
Europe	42,507	13,599		13,599	4,622
North America	0	0		0	0
RoW	0	0		0	0
Latent			1,027	1,027	133
	42,507	13,599	1,027	14,626	4,755

Appendix 1 Transitional own funds disclosure

		UBIL 2014 €m
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	4,775
	of which: ordinary shares	*3,592*
2	Retained earnings	(892)
3	Accumulated other comprehensive income (and other reserves)	47
	Public sector capital injections grandfathered until 1 January 2018	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	1,064
6	CET1 capital before regulatory adjustments	4,994
CET1 capital: regulatory adjustments		
7	Additional value adjustments	—
8	Intangible assets (net of related tax liability)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—
11	Fair value reserves related to gains or losses on cash flow hedges	—
12	Negative amounts resulting from the calculation of expected loss amounts	(16)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—
15	Defined-benefit pension fund assets	—
22	Amount exceeding the 15% threshold (negative amount)	—
23	*Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	—
25	*Of which: deferred tax assets arising from temporary differences*	—
25a	Losses for the current financial period (negative amount)	—
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	—
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	399
27	Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution (negative amount)	(6)
28	Total regulatory adjustments to CET1	377
29	CET1 capital	5,371
	AT1 capital: instruments	
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	—
35	*of which: instruments issued by subsidiaries subject to phase out*	—
36	AT1 capital before regulatory adjustments	—

Appendix 1 Transitional own funds disclosure (continued)

		UBIL 2014 €m
AT1 capital: regulatory adjustments		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period	—
	of which: Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities	—
43	Total regulatory adjustments to AT1 capital	—
44	AT1 capital	—
45	Tier 1 capital (T1 = CET1 + AT1)	5,371
T2 capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	595
47	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from T2	83
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	—
49	*of which: instruments issued by subsidiaries subject to phase out*	—
50	Credit risk adjustments	—
51	T2 capital before regulatory adjustments	678
T2 capital: regulatory adjustments		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period	—
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR.	(6)
57	Total regulatory adjustments to T2 capital	(6)
58	T2 capital	672
59	Total capital (TC = T1 + T2)	6,043
60	Total risk-weighted assets	31,065

Appendix 1 Transitional own funds disclosure (continued)

		UBIL 2014 €m
Capital ratios and buffers		
61	CET1 (as a percentage of risk exposure amount)	17.3%
62	T1 (as a percentage of risk exposure amount)	17.3%
63	Total capital (as a percentage of risk exposure amount)	19.5%
68	CET1 available to meet buffers	13.3%
Amounts below the threshold deduction		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	7
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	2
Available caps on the inclusion of provisions in T2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	39
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	154
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—
84	Current cap on T2 instruments subject to phase out arrangements	127
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—

Appendix 2 Capital Instruments Template

	Capital instruments main features template	**€38m 11.375% perpetual tier two capital**	**£20m 11.75% perpetual tier two capital**	**£1.3m perpetual floating rate tier two capital**
1	Issuer	Ulster Bank Ireland Limited	Ulster Bank Ireland Limited	Ulster Bank Ireland Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IE0004325399	IE0004325514	IE0004325282
3	Governing law(s) of the instrument	Irish	Irish	Irish
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Tier 2	Tier 2	Tier 2
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 38m	GBP 20m	GBP 1m
9	Nominal amount of instrument	38092142.32	20000000	1316000
9a	Issue price	100 per cent	100 per cent	100 per cent
9b	Redemption price	N/A	N/A	-
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	07-Sep-98	07-Sep-98	07-Sep-98
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating
18	Coupon rate and any related index	11.375 per cent.	11.75 per cent.	6 month Sterling LIBOR plus 2.55 per cent
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A

	Capital instruments main features template	**€38m 11.375% perpetual tier two capital**	**£20m 11.75% perpetual tier two capital**	**£1.3m perpetual floating rate tier two capital**
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Appendix 3 : Ulster Bank Ireland Limited (UBIL) Remuneration Disclosure - 2014

UBIL Remuneration Committee (UBIL RemCo)

In October 2014, the UBIL Board approved the establishment of the UBIL RemCo in accordance with Article 95 of Directive 2013/36/EU (CRD IV) as implemented in the Republic of Ireland by way of Statutory Instrument 158, paragraph 83. Disclosures in this document are made in accordance with Article 450 of the Capital Requirements Regulation (EU) No 575/2013.

The Chair and members of the UBIL RemCo are all non-executive directors of UBIL. The Committee will meet 2-3 times a year and on an ad hoc basis when required.

Specific responsibilities of the UBIL RemCo will be to:

- Review and adopt the RBS Remuneration Policy for the UBIL business on an annual basis ensuring it meets regulatory requirements applicable to UBIL.
- Oversee the remuneration of senior officers in the risk management and compliance functions, the executive directors and any other employees deemed to be Material Risk Takers within UBIL.
- Retain oversight of pay considerations across the broader UBIL employee population.
- Review any UBIL compensation disclosure communications and any submissions to regulators in relation to compensation.

Remuneration policy and structure

As a fully owned subsidiary of The Royal Bank of Scotland Group plc (RBS), the UBIL Remuneration Policy is fully aligned to RBS's Remuneration Policy, and is compliant with CRD IV and the UK Remuneration Code, evidenced by our remuneration arrangements.

The Remuneration Policy is aligned to the business strategy, objectives, values, risk appetite and long term interests of UBIL, and in turn that of RBS and its shareholders. Our chosen performance metrics reflect the aims of delivering sustained performance against our objectives.

The policy explicitly aligns remuneration with effective risk management. A range of measures are considered to assess risk performance, specifically the overall Risk Profile, Credit, Regulatory Risk & Conduct Risk, Operational Risk, Enterprise Risk and Market Risk.

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 both financial and non-financial measures. The variable remuneration component is designed to reflect sustainable and risk adjusted performance against financial and strategic measures. Performance is normally assessed against a combination of short-term and long-term targets.

Deferral of annual incentive awards is applied over a three year period during which time unvested awards remain at risk of forfeit (malus). For awards made in 2015 onwards, any vested or unvested variable pay awarded to Material Risk Takers (MRTs) will be subject to clawback for seven years from the date of award.

UBIL does not allow variable pay that would have otherwise been subject to deferral to be taken in pension form. Our 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. UBIL does not pay variable remuneration through vehicles or methods that facilitate the non-compliance with the requirements in CRD IV or EU Regulation No 575/2013.

UBIL recognises that remuneration structures for the 2014 performance year onwards need to comply with the remuneration requirements of CRD IV, including the cap which limits the maximum ratio of variable to fixed remuneration. UBIL is operating within the 1:1 ratio, consistent with the practice applicable across RBS, as no shareholder approval has been sought for a higher ratio.

The following table illustrates how each element supports the Remuneration Policy and how the arrangements are compliant with the requirements in CRD IV.

Fixed pay elements

To provide a level of competitive remuneration for performing the role with less reliance on variable pay in order to discourage excessive risk-taking and with partial delivery in RBS shares to align with long-term shareholder value.

Element of pay	Purpose and link to strategy	Operation	Maximum potential value
Base salary	To aid recruitment and retention of high performing individuals whilst paying no more than is necessary. To provide a competitive level of fixed cash remuneration, reflecting the skills and experience required, and to discourage excessive risk-taking.	Paid monthly and reviewed annually.	Determined annually and benchmarked against peer companies.
Fixed allowance	To provide fixed pay that reflects the skills and experience required for the role.	Allowances are provided to certain employees in key roles in line with market practice, structured to qualify as fixed remuneration for regulatory requirements. They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are subject to an appropriate retention period, not less than six months.	The value is usually based on a percentage of salary and based on the role performed.
Benefits	To provide a range of flexible and market competitive benefits to further aid recruitment and retention of key individuals.	A set level of funding is provided and employees can select from a range of benefits including: • Private medical insurance • Life assurance • Ill health income protection	Set level of funding for benefits which is subject to review.
Pension	To encourage planning for retirement and long-term savings.	Provision of a monthly cash pension allowance based on a percentage of salary. Opportunity to participate in a defined contribution pension scheme.	Pension allowance usually set as a percentage of salary.

Variable pay

Variable pay is intended to incentivise superior long-term performance and promote the success of UBIL and in turn RBS, with rewards aligned with shareholders and adjusted for risk, based on the achievement of stretching performance measures.

Element of pay	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics and period
Annual incentives	To support a culture where good performance against a full range of measures will be rewarded for superior individual performance.	The annual incentive pool is based on a balanced scorecard of measures including customer, financial, risk and people measures. Allocation from the pool depends on performance of the franchise or function and the individual. Under the deferral arrangements a significant proportion of annual incentive awards for our more senior employees are deferred over a three year period. Immediate cash awards are limited to a maximum of €2481. Deferred awards are subject to malus and clawback. For MRTs, a minimum of 50% of any annual incentive is delivered in the form of RBS shares and subject to an additional six month retention period post vesting.	The maximum level of award is subject to any limit on the ratio of variable to fixed pay as required by regulators. This currently limits variable pay to the level of fixed pay (i.e. base salary, fixed allowance, benefits and pension). For these purposes awards will be valued in line with the European Banking Authority rules, including any available discount for long-term deferral.	Balanced scorecard of KPIs measured over the financial year. KPIs are: • Strategic progress; • Business delivery and financial performance; • Risk and control; • Stakeholder management; and • People management
Long-term incentive	To support a culture where good performance against a full range of measures will be rewarded. To incentivise the delivery of stretching targets in line with the Strategic Plan. The selection of performance metrics will be closely aligned with Key Performance Indicators (KPIs). Performance is assessed against a range of financial and non-financial measures to encourage superior long-term value creation for shareholders.	Long-term incentive awards are paid in shares (or in other instruments if required by regulators) and subject to a combination of time and performance-based vesting requirements. A minimum three year performance period will apply. The award will have an overall five year vest period, vesting in equal tranches in years four and five. On vesting, shares will be subject to an additional six month retention period, Delivery in shares with the ability to apply malus adjustments and clawback further supports longer-term alignment with shareholders.		Any award made will be subject to performance conditions measured over a minimum three year period. The vesting level of the award could vary between 0% and 100% dependent on the achievement of performance conditions. Typical measures may fall under the following categories: • Value • Relative TSR • Safe and Secure Bank • Customers and People An underpin provides discretion to reduce vesting amounts in light of underlying financial results, or conduct and risk management effectiveness.

Remuneration of the Management Body

The quantitative disclosures below are made in accordance with Article 450 of the Capital Requirements Regulation (EU) No 575/2013 in relation to 8 members of the UBIL management body.

Form of remuneration	Board Executives (1) €m	Non-Executive Directors (2) €m
Fixed (salary, allowances, pensions and benefits)	2.1	0.3
Variable remuneration for 2014 performance		
Variable remuneration (cash) (3)	0.0	-
Deferred remuneration (bonds)	0.1	-
Deferred remuneration (shares)	0.8	-
Long-term incentive awards	0.9	-
Aggregate remuneration	3.9	0.3

(1) For executive directors, the amounts shown represent all remuneration received in carrying out duties in respect of both UBIL and Ulster Bank Limited.
(2) Non-executive directors including the Chairman receive fees only and do not receive any other form of fixed or variable remuneration. The amounts shown for this population are in respect of services for UBIL only.
(3) Values are rounded in the tables which can display a figure of €0.0m but the actual amount of variable remuneration in cash above was €7,445

Outstanding deferred remuneration paid in 2014 in respect of prior performance years

Category of deferred remuneration	Board Executives €m
Unvested from prior year	2.95
Awarded during the financial year	2.40
Paid out	0.61
Reduced from prior years	0.14
Unvested at year end	4.61

No sign-on awards or severance payments were made to members of the management body during 2014.

Remuneration of MRTs

The quantitative disclosures below are made in relation to employees who have been identified as MRTs (including individuals who are part of the UBIL management body).

1. Aggregate remuneration expenditure

During the year, there were 82 individuals identified as MRTs. Aggregate remuneration expenditure in respect of 2014 was as follows:

CIB €m	Retail €m	Other €m
4.3	2.2	15.0

2. Amounts and form of fixed and variable remuneration

Fixed remuneration for 2014

Consisted of salaries, allowances, pensions and benefits.

Senior management €m	Others €m
4.7	11.6

Variable remuneration for 2014 performance

Consisted of deferred awards payable over a three year period. Cash awards were limited to a maximum of €2,481 per employee.

Form of remuneration	Senior management €m	Others €m
Variable remuneration (cash) (1)	0.0	0.1
Deferred remuneration (bonds)	0.3	0.9
Deferred remuneration (shares)	2.2	0.2

(1) Actual amount of variable remuneration in cash for senior management was €24,817

Long-term incentives awarded for 2014 performance

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment.

Senior management €m	Others €m
1.5	0.0

In accordance with Article 94(1)(g) of CRD IV, the variable component of total remuneration for MRTs at UBIL shall not exceed 100% of the fixed component. Based on the information disclosed above, the average ratio between fixed and variable remuneration for 2014 is approximately 1:0.31

3. Outstanding deferred remuneration paid in 2014

The table below includes deferred remuneration awarded or paid out in 2014 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives lapsed when performance conditions are not met, long-term incentives and deferred awards forfeited on leaving and malus adjustment of prior year deferred awards and long-term incentives.

Category of deferred remuneration	Senior management €m	Others €m
Unvested from prior year	8.05	1.42
Awarded during the financial year	4.70	0.93
Paid out	1.84	0.89
Reduced from prior years	0.75	1.32
Unvested at year end	10.25	0.94

4. Sign-on and severance payments

There were no sign-on awards made during 2014. No severance payments were made outside of contractual payments related to termination of employment such as pay in lieu of notice and benefits.

Notes on the presentation of remuneration

In the relevant tables above, assumptions have been made for the notiona value of awards under the Long Term Incentive Plan (LTIP), verified by external advisors, and forfeitures through resignation for deferred awards. In addition, the share price relevant to the date of the event or valuation point has been used.

Total remuneration by band for all employees earning >€1 million	Number of employees 2014
€1.0m - €1.5m	0
€1.5m - €2.0m	2
More than €2.0m	0
Total	2

Notes:
(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay (including actual value of LTIP vesting in 2014) after the application of clawback.

Appendix 4 CRR Disclosure Requirements Reference Table

CRR Disclosure Requirements - Significant Subsidiaries		
CRR Article	**Title**	**Location of UBIL disclosure**
Article 437	Own Funds	RBS Pillar 3 Disclosure 2014 Tables 1 and 9
Article 438	Capital Requirements	RBS Pillar 3 Disclosure 2014 Tables 3 – 8
Article 440	Capital Buffers	This is not in force currently
Article 442	Credit Risk Adjustments	UBIL Annual Report and Accounts (2014) Note 9 and RBS Pillar 3 Disclosure Table 40
Article 450	Remuneration Policy	UBIL Pillar 3 disclosure document 2014 Appendix 3
Article 451	Leverage Ratio	To be disclosed from Jan 2015
Article 453	Use of Credit Risk Mitigation	UBIL Annual Report and Accounts (2014) Note 23