Additional information

Financial summary

The Group's financial statements are prepared in accordance with IFRS as issued by the IASB. Selected data under IFRS for each of the four years ended 31 December 2007 are presented on page 214 to 222. Selected data under UK GAAP for each of the two years ended 31 December 2004 are presented on pages 223 to 229. The dollar financial information included below has been converted from sterling at a rate of £1.00 to US$1.9843, being the Noon Buying Rate on 31 December 2007.

Amounts in accordance with IFRS

Summary consolidated income statement – IFRS	2007 $m	2007 £m	2006 £m	2005 £m	2004 £m
Net interest income	25,137	12,668	10,596	9,918	9,071
Non-interest income (1)	36,604	18,447	17,406	15,984	14,320
Total income	61,741	31,115	28,002	25,902	23,391
Operating expenses (2, 3, 4)	28,643	14,435	12,480	11,946	10,362
Profit before other operating charges and impairment losses	33,098	16,680	15,522	13,956	13,029
Insurance net claims	9,231	4,652	4,458	4,313	4,260
Impairment losses	4,222	2,128	1,878	1,707	1,485
Operating profit before tax	19,645	9,900	9,186	7,936	7,284
Tax	4,072	2,052	2,689	2,378	1,995
Profit from continuing operations	15,573	7,848	6,497	5,558	5,289
Loss from discontinued operations, net of tax	270	136	—	—	—
Profit for the year	15,303	7,712	6,497	5,558	5,289
Profit attributable to:					
Minority interests	324	163	104	57	177
Other owners	488	246	191	109	256
Ordinary shareholders	14,491	7,303	6,202	5,392	4,856

Notes:

(1) Includes gain on sale of strategic investment of £333 million in 2005.

(2) Includes loss on sale of subsidiaries of £93 million in 2005.

(3) Includes integration expenditure of £108 million in 2007 (2006 – £134 million; 2005 – £458 million; 2004 – £520 million).

(4) Includes purchased intangibles amortisation of £274 million in 2007 (2006 – £94 million; 2005 – £97 million; 2004 – £45 million).

Summary consolidated balance sheet – IFRS	2007 $m	2007 £m	2006 £m	2005 £m	2004 £m
Loans and advances	2,080,955	1,048,710	549,499	487,813	408,324
Debt securities and equity shares	653,734	329,453	140,755	130,266	98,631
Derivatives and settlement balances	702,440	353,999	124,106	101,668	23,482
Other assets	334,071	168,357	57,072	57,080	57,685
Total assets	3,771,200	1,900,519	871,432	776,827	588,122
Equity owners	105,243	53,038	40,227	35,435	33,905
Minority interests	76,173	38,388	5,263	2,109	3,492
Subordinated liabilities	75,362	37,979	27,654	28,274	20,366
Deposits	1,974,375	994,998	516,365	453,274	383,198
Derivatives, settlement balances and short positions	839,520	423,081	167,588	140,426	51,866
Other liabilities	700,527	353,035	114,335	117,309	95,295
Total liabilities and equity	3,771,200	1,900,519	871,432	776,827	588,122

The per share data in the table below have been restated for the effect of the bonus issue of ordinary shares in May 2007.

Other financial data based upon IFRS	2007	2006	2005	2004
Earnings per ordinary share – pence	76.4	64.9	56.5	52.5
Diluted earnings per ordinary share – pence (1)	75.7	64.4	56.1	52.0
Adjusted earnings per ordinary share – pence	78.7	66.7	58.6	56.7
Dividends per ordinary share – pence	32.2	25.8	20.2	17.5
Dividend payout ratio (2)	43%	45%	41%	35%
Share price per ordinary share at year end – £	4.44	6.64	5.85	5.84
Market capitalisation at year end – £bn	44.4	62.8	56.1	55.6
Net asset value per ordinary share – £	4.47	3.86	3.38	3.09
Return on average total assets (3)	0.63%	0.74%	0.73%	0.94%
Return on average ordinary shareholders' equity (4)	18.8%	18.5%	17.5%	18.3%
Adjusted return on average ordinary shareholders' equity (5)	19.9%	19.0%	18.2%	18.9%
Average owners' equity as a percentage of average total assets	3.7%	4.4%	4.5%	5.9%
Risk asset ratio – Tier 1	7.3%	7.5%	7.6%	7.0%
Risk asset ratio – Total	11.2%	11.7%	11.7%	11.7%
Ratio of earnings to combined fixed charges and preference share dividends (6)				
– including interest on deposits	1.44	1.62	1.67	1.88
– excluding interest on deposits	5.74	6.12	6.05	7.43
Ratio of earnings to fixed charges only (6)				
– including interest on deposits	1.46	1.64	1.69	1.94
– excluding interest on deposits	6.53	6.87	6.50	9.70

Notes:

(1) All the convertible preference shares have a dilutive effect in 2007, 2006 and 2005 and as such have been included in the computation of diluted earnings per share. In 2004 their effect was anti-dilutive.

(2) Dividend payout ratio represents the interim dividend paid and current year final dividend proposed as a percentage of profit attributable to ordinary shareholders before discontinued operations, integration costs, amortisation of purchased intangibles and net gain on sale of strategic investments and subsidiaries (net of tax).

(3) Return on average total assets represents profit attributable to ordinary shareholders as a percentage of average total assets.

(4) Return on average ordinary shareholders' equity represents profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' equity.

(5) Adjusted return on average ordinary shareholders' equity represents profit attributable to ordinary shareholders before discontinued operations, integration costs, amortisation of purchased intangibles and net gain on sale of strategic investments and subsidiaries expressed as a percentage of average ordinary shareholders' equity.

(6) For this purpose, earnings consist of income before tax and minority interests, plus fixed charges less the unremitted income of associated undertakings (share of profits less dividends received). Fixed charges consist of total interest expense, including or excluding interest on deposits and debt securities in issue, as appropriate, and the proportion of rental expense deemed representative of the interest factor (one third of total rental expenses).

Amounts in accordance with IFRS *(continued)*

Analysis of loans and advances to customers – IFRS

The following table analyses loans and advances to customers before provisions by remaining maturity, geographical area and type of customer. Overdrafts are included in the 'Within 1 year' category.

	Within 1 year £m	After 1 but within 5 years £m	After 5 years £m	2007 Total £m	2006 £m	2005 £m	2004 £m
UK							
Central and local government	2,790	29	316	3,135	6,732	3,340	1,866
Manufacturing	7,836	3,584	2,032	13,452	11,051	11,615	6,292
Construction	6,427	2,443	1,332	10,202	8,251	7,274	5,024
Finance	64,624	4,283	1,783	70,690	25,017	27,091	24,638
Service industries and business activities	21,194	15,471	17,300	53,965	43,887	40,687	30,867
Agriculture, forestry and fishing	1,109	516	848	2,473	2,767	2,645	2,481
Property	15,236	17,596	17,219	50,051	39,296	32,899	26,448
Individuals – home mortgages	19,394	1,183	53,339	73,916	70,884	65,286	57,535
– other	23,525	2,425	2,236	28,186	27,922	26,323	26,459
Finance leases and instalment credit	2,476	6,045	7,111	15,632	14,218	13,909	13,044
Accrued interest	2,124	79	141	2,344	1,497	1,250	—
Total domestic	166,735	53,654	103,657	324,046	251,522	232,319	194,654
Overseas residents	51,758	23,242	23,845	98,845	69,242	52,234	48,183
Total UK offices	218,493	76,896	127,502	422,891	320,764	284,553	242,837
Overseas							
US	72,268	26,017	36,774	135,059	92,166	90,606	74,027
Rest of the World	112,130	52,621	112,987	277,738	57,896	45,951	34,555
Total Overseas offices	184,398	78,638	149,761	412,797	150,062	136,557	108,582
Loans and advances to customers – gross	402,891	155,534	277,263	835,688	470,826	421,110	351,419
Loan impairment provisions				(6,438)	(3,933)	(3,884)	(4,168)
Loans and advances to customers – net				829,250	466,893	417,226	347,251
Fixed rate	149,685	62,985	139,227	351,897	115,240	100,748	101,227
Variable rate	253,206	92,549	138,036	483,791	355,586	320,362	250,192
Loans and advances to customers – gross	402,891	155,534	277,263	835,688	470,826	421,110	351,419

Cross border exposures

Cross border exposures are defined as loans to banks and customers (including finance lease and instalment credit receivables) and other monetary assets, including non-local currency claims of overseas offices on local residents.

The Group monitors the geographical breakdown of these exposures based on the country of domicile of the borrower or guarantor of ultimate risk.

The table below sets out the Group's cross border outstandings in excess of 0.75% of Group total assets (including acceptances), which totalled £1,900.5 billion at 31 December 2007 (2006 – £871.4 billion; 2005 – £776.8 billion). None of these countries has experienced repayment difficulties that have required refinancing of outstanding debt.

	2007 £m	2006 £m	2005 £m
United States	91,653	43,718	34,246
France	65,430	18,136	13,402
Germany	51,123	20,130	18,395
Japan	31,922	7,725	*
Spain	31,651	9,341	7,392
Netherlands	27,707	12,407	8,026
Italy	23,925	7,506	*
Republic of Ireland	17,736	8,530	6,008
Cayman Islands	17,099	9,063	11,813
Norway	*	7,768	*
Switzerland	*	7,262	7,061
China	*	6,574	*

* Less than 0.75% of Group total assets.

Loan impairment provisions

For a discussion of the factors considered in determining the amount of the provisions, see 'Loan impairment' on page 77 and 'Critical accounting polices – Loan impairment provisions' on pages 131 and 132.

The following table shows the elements of loan impairment provisions.

		IFRS		
	2007 £m	2006 £m	2005 £m	2004 £m
Provisions at the beginning of the year				
Domestic	3,037	2,759	2,675	2,408
Foreign	898	1,128	1,470	1,477
	3,935	3,887	4,145	3,885
Currency translation and other adjustments				
Domestic	5	(17)	(7)	(8)
Foreign	132	(44)	58	(90)
	137	(61)	51	(98)
Acquisitions of businesses				
Domestic	10	—	—	2
Foreign	2,200	—	—	288
	2,210	—	—	290
Amounts written-off				
Domestic	(1,222)	(1,360)	(1,252)	(901)
Foreign	(949)	(481)	(788)	(548)
	(2,171)	(1,841)	(2,040)	(1,449)
Recoveries of amounts written-off in previous years				
Domestic	158	119	97	85
Foreign	232	96	75	59
	390	215	172	144
Charged to income statement				
Domestic	1,420	1,663	1,376	960
Foreign	686	214	327	442
	2,106	1,877	1,703	1,402
Unwind of discount				
Domestic	(150)	(127)	(130)	—
Foreign	(16)	(15)	(14)	—
	(166)	(142)	(144)	—
Provisions at the end of the year (1)				
Domestic	3,258	3,037	2,759	2,546
Foreign	3,183	898	1,128	1,628
	6,441	3,935	3,887	4,174
Gross loans and advances to customers				
Domestic	324,046	251,522	232,319	194,654
Foreign	511,642	219,304	188,791	156,765
	835,688	470,826	421,110	351,419
Closing customer provisions as a % of gross loans and advances to customers (2)				
Domestic	1.00%	1.21%	1.19%	1.31%
Foreign	0.62%	0.41%	0.60%	1.04%
Total	0.77%	0.84%	0.92%	1.19%
Customer charge to income statement as a % of gross loans and advances to customers				
Domestic	0.44%	0.66%	0.59%	0.49%
Foreign	0.13%	0.10%	0.17%	0.28%
Total	0.25%	0.40%	0.40%	0.40%

Notes:

(1) Includes closing provisions against loans and advances to banks of £3 million (2006 – £2 million; 2005 – £3 million; 2004 – £6 million).

(2) Closing customer provisions exclude closing provisions against loans and advances to banks.

Amounts in accordance with IFRS *(continued)*

Loan impairment provisions *(continued)*

The following table shows additional information in respect of the loan impairment provisions.

	IFRS 2007 £m	2006 £m	2005 £m	2004 £m
Loans and advances to customers (gross)	835,688	470,826	421,110	351,419
Loan impairment provisions at end of year:				
– customers	6,438	3,933	3,884	
– banks	3	2	3	
Specific provisions – customers				3,607
Specific provisions – banks				6
General provision				561
	6,441	3,935	3,887	4,174
Average loans and advances to customers (gross)	567,900	445,766	402,473	299,430
As a % of average loans and advances to customers during the year:				
Total customer provisions charged to income statement	0.37%	0.42%	0.42%	0.47%
Amounts written-off (net of recoveries) – customers	0.31%	0.36%	0.46%	0.44%

Analysis of closing loan impairment provisions

The following table analyses customer loan impairment provisions by geographical area and type of domestic customer.

	IFRS 2007		2006		2005		2004	
	Closing provision £m	% of loans to total loans %	Closing provision £m	% of loans to total loans %	Closing provision £m	% of loans to total loans %	Closing provision £m	% of loans to total loans %
Domestic								
Central and local government	—	0.4	—	1.4	—	0.8	—	0.6
Manufacturing	93	1.6	94	2.4	138	2.8	127	1.8
Construction	75	1.2	63	1.8	74	1.7	71	1.4
Finance	52	8.4	33	5.3	104	6.4	54	7.0
Service industries and business activities	562	6.5	647	9.3	647	9.7	516	8.8
Agriculture, forestry and fishing	21	0.3	25	0.6	26	0.6	23	0.7
Property	85	6.0	70	8.3	63	7.8	64	7.5
Individuals – home mortgages	36	8.8	37	15.1	36	15.5	32	16.4
– other	2,043	3.4	1,826	5.9	1,513	6.3	1,277	7.5
Finance leases and instalment credit	132	1.9	103	3.0	88	3.3	122	3.7
Accrued interest	—	0.3	—	0.3	—	0.3		
Total domestic	3,099	38.8	2,898	53.4	2,689	55.2	2,286	55.4
Foreign	2,289	61.2	442	46.6	652	44.8	1,321	44.6
Impaired book provisions	5,388	100.00	3,340	100.0	3,341	100.0		100.0
Latent book provisions	1,050		593		543			
Specific provisions							3,607	
General provision							561	
Total provisions	6,438		3,933		3,884		4,168	

Analysis of write-offs

The following table analyses amounts written-off by geographical area and type of domestic customer.

	IFRS			
	2007 £m	2006 £m	2005 £m	2004 £m
Domestic				
Manufacturing	29	41	40	55
Construction	21	29	17	12
Finance	47	17	21	19
Service industries and business activities	190	212	176	163
Agriculture, forestry and fishing	4	5	4	9
Property	9	6	25	33
Individuals – home mortgages	—	5	4	4
– others	909	1,021	948	516
Finance leases and instalment credit	13	24	15	90
Total domestic	1,222	1,360	1,250	901
Foreign	949	481	788	548
Total write-offs (1)	2,171	1,841	2,038	1,449

Note:

(1) Excludes £2 million written-off in respect of loans and advances to banks in 2005.

Analysis of recoveries

The following table analyses recoveries of amounts written-off by geographical area and type of domestic customer.

	IFRS			
	2007 £m	2006 £m	2005 £m	2004 £m
Domestic				
Manufacturing	—	—	1	1
Construction	—	—	1	—
Finance	—	—	—	2
Service industries and business activities	7	5	2	1
Property	—	1	2	—
Individuals – home mortgages	—	—	—	1
Individuals – others	143	101	84	78
Finance leases and instalment credit	8	12	7	2
Total domestic	158	119	97	85
Foreign	232	96	75	59
Total recoveries	390	215	172	144

Amounts in accordance with IFRS *(continued)*

Risk elements in lending and potential problem loans

The Group's loan control and review procedures do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the SEC in the US. The following table shows the estimated amount of loans that would be reported using the SEC's classifications. The figures are stated before deducting the value of security held or related provisions.

IFRS require interest to be recognised on a financial asset (or a group of financial assets) after impairment at the rate of interest used to discount recoveries when measuring the impairment loss. Thus, interest on impaired financial assets is credited to profit or loss as the discount on expected recoveries unwinds. Despite this, such assets are not considered performing. All loans that have an impairment provision are classified as non-accrual. This is a change from practice in 2004 and earlier years where certain loans with provisions were classified as past due 90 days or potential problem loans (and interest accrued on them).

	IFRS			
	2007 £m	2006 £m	2005 £m	2004 £m
Loans accounted for on a non-accrual basis (2):				
Domestic	5,599	5,420	4,977	3,658
Foreign	4,763	812	949	1,075
Total	10,362	6,232	5,926	4,733
Accruing loans which are contractually overdue 90 days or more as to principal or interest (3):				
Domestic	217	81	2	634
Foreign	152	24	7	79
Total	369	105	9	713
Loans not included above which are classified as 'troubled debt restructurings' by the SEC:				
Domestic	—	—	2	14
Foreign	—	—	—	10
Total	—	—	2	24
Total risk elements in lending	10,731	6,337	5,937	5,470
Potential problem loans (4)				
Domestic	63	47	14	173
Foreign	608	5	5	107
Total potential problem loans	671	52	19	280
Closing provisions for impairment as a % of total risk elements in lending	60%	62%	65%	76%
Closing provisions for impairment as a % of total risk elements in lending and potential problem loans	56%	62%	65%	72%
Risk elements in lending as a % of gross lending to customers excluding reverse repos	1.55%	1.55%	1.60%	1.83%

Notes:

(1) For the analysis above, 'Domestic' consists of the United Kingdom domestic transactions of the Group. 'Foreign' comprises the Group's transactions conducted through offices outside the UK and through those offices in the UK specifically organised to service international banking transactions.

(2) All loans against which an impairment provision is held are reported in the non-accrual category.

(3) Loans where an impairment event has taken place but no impairment recognised. This category is used for fully collateralised non-revolving credit facilities.

(4) Loans for which an impairment event has occurred but no impairment provision is necessary. This category is used for fully collateralised advances and revolving credit facilities where identification as 90 days overdue is not feasible.

	IFRS			
	2007 £m	2006 £m	2005 £m	2004 £m
Gross income not recognised but which would have been recognised under the original terms of non-accrual and restructured loans				
Domestic	390	370	334	235
Foreign	155	77	62	58
	545	447	396	293
Interest on non-accrual and restructured loans included in net interest income				
Domestic	165	142	130	58
Foreign	16	15	14	7
	181	157	144	65

Analysis of deposits – product analysis

The following table shows the distribution of the Group's deposits by type and geographical area:

	IFRS		
	2007 £m	2006 £m	2005 £m
UK			
Domestic:			
Demand deposits – interest-free	43,721	39,149	28,833
– interest-bearing	121,343	118,315	91,564
Time deposits – savings	41,185	31,656	27,091
– other	207,247	80,496	73,097
Overseas residents:			
Demand deposits – interest-free	563	573	396
– interest-bearing	25,129	37,729	26,663
Time deposits – savings	605	1,122	1,108
– other	87,437	51,568	53,997
Total UK offices	527,230	360,608	302,749
Overseas			
Demand deposits – interest-free	27,959	12,173	13,248
– interest-bearing	70,758	27,441	17,886
Time deposits – savings	52,381	19,049	21,691
– other	316,670	97,094	97,700
Total overseas offices (see below)	467,768	155,757	150,525
Total deposits	994,998	516,365	453,274
Held-for-trading	125,916	104,249	66,712
Designated as at fair value through profit or loss	7,505	3,922	3,683
Amortised cost	861,577	408,194	382,879
Total deposits	994,998	516,365	453,274
Overseas			
US	152,324	115,121	120,405
Rest of the World	315,444	40,636	30,120
Total overseas	467,768	155,757	150,525

Amounts in accordance with IFRS *(continued)*

Short term borrowings

	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m
Commercial paper			
Outstanding at year end	78,612	12,675	14,110
Maximum outstanding at any month end during the year	81,187	14,402	16,853
Approximate average amount during the year	32,498	13,225	15,329
Approximate weighted average interest rate during the year	4.8%	4.9%	3.7%
Approximate weighted average interest rate at year end	5.5%	5.0%	4.2%
Other short term borrowings			
Outstanding at year end	280,526	122,576	105,483
Maximum outstanding at any month end during the year	312,557	130,867	117,913
Approximate average amount during the year	188,326	112,008	100,681
Approximate weighted average interest rate during the year	4.6%	4.5%	3.4%
Approximate weighted average interest rate at year end	4.1%	4.5%	3.5%

Average interest rates during the year are computed by dividing total interest expense by the average amount borrowed. Average interest rates at year end are average rates for a single day and as such may reflect one-day market distortions which may not be indicative of generally prevailing rates. Original maturities of commercial paper are not in excess of one year. 'Other short-term borrowings' consist principally of borrowings in the money markets included within 'Deposits by banks' and 'Customer accounts' in the accounts, and generally have original maturities of one year or less.

Certificates of deposit and other time deposits

The following table shows details of the Group's certificates of deposit and other time deposits over $100,000 or equivalent by remaining maturity.

	Within 3 months £m	Over 3 months but within 6 months £m	Over 6 months but within 12 months £m	Over 12 months £m	2007 Total £m
UK based companies and branches					
Certificates of deposit	18,747	4,832	1,897	1,064	26,540
Other time deposits	98,943	6,467	3,734	12,085	121,229
Overseas based companies and branches					
Certificates of deposit	39,039	6,797	2,213	27,683	75,732
Other time deposits	131,701	12,745	5,077	13,227	162,750
Total	288,430	30,841	12,921	54,059	386,251

Amounts in accordance with UK GAAP

Summary consolidated profit and loss account – UK GAAP

	2004 £m	2003 £m
Net interest income	9,208	8,301
Non-interest income	13,546	10,980
Total income	22,754	19,281
Operating expenses excluding goodwill amortisation (1)	9,931	8,753
Goodwill amortisation	915	763
General insurance claims (net)	3,480	2,195
Profit before provisions	8,428	7,570
Provisions for bad and doubtful debts	1,428	1,461
Amounts written off fixed asset investments	83	33
Profit on ordinary activities before tax	6,917	6,076
Tax on profit on ordinary activities	2,155	1,888
Profit on ordinary activities after tax	4,762	4,188
Minority interests (including non-equity)	250	210
Preference dividends – non-equity	256	261
	4,256	3,717
Additional Value Shares dividend – non-equity	—	1,463
Profit attributable to ordinary shareholders	4,256	2,254

Note:

(1) Includes integration expenditure of £269 million in 2004 (2003 – £229 million).

Summary consolidated balance sheet – UK GAAP

	2004 £m	2003 £m
Loans and advances to banks (net of provisions)	58,260	51,891
Loans and advances to customers (net of provisions)	345,469	252,531
Debt securities and equity shares	94,171	82,249
Intangible fixed assets	17,576	13,131
Other assets	67,991	54,626
Total assets	583,467	454,428
Called up share capital	822	769
Share premium account	12,964	8,175
Other reserves	10,856	11,307
Profit and loss account	7,223	5,847
Shareholders' funds	31,865	26,098
Minority interests	3,829	2,713
Subordinated liabilities	20,366	16,998
Total capital resources	56,060	45,809
Deposits by banks	99,081	67,323
Customer accounts	285,062	236,963
Debt securities in issue	58,960	41,016
Other liabilities	84,304	63,317
Total liabilities	583,467	454,428

Amounts in accordance with UK GAAP *(continued)*

The per share data in the table below have been restated for the effect of the bonus issue of ordinary shares in May 2007.

Other financial data based upon UK GAAP	2004	2003
Earnings per ordinary share – pence	46.0	25.6
Diluted earnings per ordinary share – pence (1)	45.6	25.4
Adjusted earnings per ordinary share – pence	57.5	52.4
Dividends per ordinary share – pence	19.3	16.8
Dividend payout ratio (2)	35%	32%
Share price per ordinary share at period end – £	5.84	5.49
Market capitalisation at period end – £bn	55.6	48.8
Net asset value per ordinary share – £	2.87	2.61
Return on average total assets (3)	0.82%	0.51%
Return on average equity shareholders' funds (4)	16.0%	9.8%
Adjusted return on average equity shareholders' funds (5)	20.1%	20.1%
Average shareholders' equity as a percentage of average total assets	5.7%	5.9%
Risk asset ratio – Tier 1	7.0%	7.4%
– Total	11.7%	11.8%
Ratio of earnings to combined fixed charges and preference share dividends (5)		
– including interest on deposits	1.84	1.95
– excluding interest on deposits	7.09	7.08
Ratio of earnings to fixed charges only (6)		
– including interest on deposits	1.90	2.04
– excluding interest on deposits	9.26	9.73

Notes:

(1) Convertible preference shares have not been included in the computation of diluted earnings per share as their effect was anti-dilutive.

(2) Dividend payout ratio represents the interim dividend paid and the current year final dividend proposed as a percentage of profit attributable to ordinary shareholders before integration costs, goodwill amortisation, and the AVS dividend in 2003, (net of tax).

(3) Return on average total assets represents profit attributable to ordinary shareholders as a percentage of average total assets.

(4) Return on average equity shareholders' funds represents profit attributable to ordinary shareholders expressed as a percentage of average equity shareholders' funds.

(5) Adjusted return on average equity shareholders' funds represents profit attributable to ordinary shareholders before integration costs, goodwill amortisation and the AVS dividend, in 2003 expressed as a percentage of average equity shareholders' funds.

(6) For this purpose, earnings consist of income before tax and minority interests, plus fixed charges less the unremitted income of associated undertakings (share of profits less dividends received). Fixed charges consist of total interest expense, including or excluding interest on deposits and debt securities in issue, as appropriate, and the proportion of rental expense deemed representative of the interest factor (one third of total rental expenses).

Analysis of loans and advances to customers

The following table analyses loans and advances to customers before provisions by geographical area and type of customer.

	UK GAAP 2004 £m	UK GAAP 2003 £m
UK		
Central and local government	1,866	1,217
Manufacturing	6,292	6,384
Construction	5,024	3,960
Finance	25,157	18,948
Service industries and business activities	30,850	29,290
Agriculture, forestry and fishing	2,480	2,562
Property	26,445	19,670
Individuals – home mortgages	57,529	48,117
– other	27,863	25,526
Finance leases and instalment credit	13,083	11,703
Total domestic	196,589	167,377
Overseas residents	44,053	27,168
Total UK offices	240,642	194,545
Overseas		
US	74,045	40,373
Rest of the World	35,004	21,535
Total overseas offices	109,049	61,908
Loans and advances to customers – gross	349,691	256,453
Provisions for bad and doubtful debts	(4,222)	(3,922)
Loans and advances to customers – net	345,469	252,531
Fixed rate	100,729	81,918
Variable rate	248,962	174,535
Loans and advances to customers – gross	349,691	256,453

Cross border exposures

The table below sets out the Group's cross border outstandings in excess of 0.75% of Group total assets (including acceptances), which totalled £583.8 billion at 31 December 2004 (2003 – £455.0 billion). None of these countries has experienced repayment difficulties that have required refinancing of outstanding debt.

	UK GAAP 2004 £m	UK GAAP 2003 £m
United States	28,795	14,618
Germany	14,050	15,073
France	9,604	7,524
Netherlands	8,871	6,830
Cayman Islands	7,258	6,666
Spain	5,249	3,421
Japan	4,610	4,141

Amounts in accordance with UK GAAP *(continued)*

Provisions for bad and doubtful debts

The following table shows the elements of provisions for bad and doubtful debts under UK GAAP.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Provisions at the beginning of the year		
Domestic	2,452	2,581
Foreign	1,477	1,346
	3,929	3,927
Currency translation and other adjustments		
Domestic	(8)	(2)
Foreign	(90)	(60)
	(98)	(62)
Acquisitions of businesses		
Domestic	2	—
Foreign	288	50
	290	50
Amounts written-off		
Domestic	(920)	(1,097)
Foreign	(548)	(422)
	(1,468)	(1,519)
Recoveries of amounts written-off in previous years		
Domestic	88	38
Foreign	59	34
	147	72
Charged to profit and loss account		
Domestic	986	932
Foreign	442	529
	1,428	1,461
Provisions at the end of the year (1)		
Domestic	2,600	2,452
Foreign	1,628	1,477
	4,228	3,929
Gross loans and advances to customers		
Domestic	196,589	167,377
Foreign	153,102	89,076
	349,691	256,453
Closing customer provisions as a % of gross loans and advances to customers (2)		
Domestic	1.32%	1.46%
Foreign	1.06%	1.65%
Total	1.21%	1.53%
Customer charge against profit as a % of gross loans and advances to customers		
Domestic	0.50%	0.56%
Foreign	0.29%	0.59%
Total	0.41%	0.57%

Notes:

(1) Includes closing provisions against loans and advances to banks of £6 million in 2004 (2003 – £7 million).

(2) Closing customer provisions exclude closing provisions against loans and advances to banks.

The following table shows additional information with respect to the provisions for bad and doubtful debts under UK GAAP.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Loans and advances to customers (gross)	349,691	256,453
Provisions at end of year:		
Specific provisions – customers	3,648	3,356
– banks	6	7
General provision	574	566
	4,228	3,929
Customer provision at end of year as % of loans and advances to customers at end of year:		
Specific provisions	1.04%	1.31%
General provision	0.17%	0.22%
	1.21%	1.53%
Average loans and advances to customers (gross)	298,150	245,798
As a % of average loans and advances to customers during the year:		
Total customer provisions charged to profit and loss	0.48%	0.59%
Amounts written-off (net of recoveries) – customers	0.44%	0.59%

Analysis of closing provisions for bad and doubtful debts

The following table analyses customer provisions for bad and doubtful debts by geographical area and type of domestic customer.

	UK GAAP 2004		UK GAAP 2003	
	Closing provision £m	% of loans to total loans %	Closing provision £m	% of loans to total loans %
Domestic				
Central and local government	—	0.5	—	0.5
Manufacturing	127	1.8	156	2.5
Construction	71	1.4	56	1.5
Finance	54	7.2	34	7.4
Service industries and business activities	516	8.8	599	11.4
Agriculture, forestry and fishing	23	0.7	20	1.0
Property	64	7.6	58	7.7
Individuals – home mortgages	32	16.5	35	18.8
– other	1,318	8.0	1,003	9.9
Finance leases and instalment credit	122	3.7	136	4.6
Total domestic	2,327	56.2	2,097	65.3
Foreign	1,321	43.8	1,259	34.7
Specific provisions	3,648	100.0	3,356	100.0
General provision	574		566	
Total provisions	4,222		3,922	

Amounts in accordance with UK GAAP *(continued)*

Analysis of write-offs

The following table analyses amounts written-off by geographical area and type of domestic customer.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Domestic		
Manufacturing	55	99
Construction	12	22
Finance	19	54
Service industries and business activities	163	393
Agriculture, forestry and fishing	9	4
Property	33	6
Individuals – home mortgages	4	2
– others	535	357
Finance leases and instalment credit	90	160
Total domestic	920	1,097
Foreign	548	422
Total write-offs	1,468	1,519

Analysis of recoveries

The following table analyses recoveries of amounts written-off by geographical area and type of domestic customer.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Domestic		
Manufacturing	1	—
Finance	2	—
Service industries and business activities	1	3
Individuals – home mortgages	1	—
– others	81	26
Finance leases and instalment credit	2	9
Total domestic	88	38
Foreign	59	34
Total recoveries	147	72

Risk elements in lending and potential problem loans

The Group's loan control and review procedures do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the SEC in the US. The following table shows the estimated amount of loans that would be reported using the SEC's classifications. The figures incorporate estimates and are stated before deducting the value of security held or related provisions.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Loans accounted for on a non-accrual basis (3):		
Domestic	3,705	3,221
Foreign	1,075	1,211
Total	4,780	4,432
Accruing loans which are contractually overdue 90 days or more as to principal or interest (4):		
Domestic	646	561
Foreign	79	81
Total	725	642
Loans not included above which are classified as 'troubled debt restructurings' by the SEC:		
Domestic	14	53
Foreign	10	30
Total	24	83
Total risk elements in lending	5,529	5,157
Potential problem loans (5)		
Domestic	173	492
Foreign	107	99
Total potential problem loans	280	591
Closing provisions for bad and doubtful debts as a % of total risk elements in lending	76%	76%
Closing provisions for bad and doubtful debts as a % of total risk elements in lending and potential problem loans	73%	68%
Risk elements in lending as a % of gross loans and advances to customers excluding reverse repos	1.86%	2.22%

Notes:

(1) For the analysis above, 'Domestic' consists of the UK domestic transactions of the Group. 'Foreign' comprises the Group's transactions conducted through offices outside the UK and through those offices in the UK specifically organised to service international banking transactions.

(2) The classification of a loan as non-accrual, past due 90 days or troubled debt restructuring does not necessarily indicate that the principal of the loan is uncollectable in whole or in part. Collection depends in each case on the individual circumstances of the loan, including the adequacy of any collateral securing the loan and therefore classification of a loan as non-accrual, past due 90 days or troubled debt restructuring does not always require that a provision be made against such a loan. In accordance with the Group's provisioning policy for bad and doubtful debts, it is considered that adequate provisions for the above risk elements in lending have been made.

(3) The Group's UK banking subsidiary undertakings account for loans on a non-accrual basis from the point in time at which the collectability of interest is in significant doubt. Certain subsidiary undertakings of the Group, principally Citizens, generally account for loans on a non-accrual basis when interest or principal is past due 90 days.

(4) Overdrafts generally have no fixed repayment schedule and consequently are not included in this category.

(5) Loans that are current as to the payment of principal and interest but in respect of which management has serious doubts about the ability of the borrower to comply with contractual repayment terms. Substantial security is held in respect of these loans and appropriate provisions have already been made in accordance with the Group's provisioning policy for bad and doubtful debts.

	UK GAAP 2004 £m	UK GAAP 2003 £m
Gross income not recognised but which would have been recognised under the original terms of non-accrual and restructured loans		
Domestic	237	237
Foreign	58	55
	295	292
Interest on non-accrual and restructured loans included in net interest income		
Domestic	58	60
Foreign	7	3
	65	63

Exchange rates

Except as stated, the following tables show, for the dates or periods indicated, the Noon Buying Rate in New York for cable transfers in sterling as certified for customs' purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"):

US dollars per £1	January 2008	December 2007	November 2007	October 2007	September 2007	August 2007
Noon Buying Rate						
High	1.9895	2.0658	2.1104	2.0777	2.0389	2.0426
Low	1.9515	1.9774	2.0478	2.0279	1.9920	1.9813

	2007	2006	2005	2004	2003
Noon Buying Rate					
Period end rate	1.9843	1.9586	1.7188	1.9160	1.7842
Average rate for the period (1)	2.0073	1.8582	1.8147	1.8356	1.6450
Consolidation rate (2)					
Period end rate	2.0043	1.9651	1.7214	1.9346	1.7857
Average rate for the period	2.0015	1.8436	1.8198	1.8325	1.6354

Notes:

(1) The average of the Noon Buying Rates on the last business day of each month during the period.

(2) The rates used by the Group for translating US dollars into sterling in the preparation of its financial statements.

(3) On 26 February 2008, the Noon Buying Rate was £1.00 = US$1.9747.

Economic and monetary environment

The Group's earnings are affected by the economic and monetary environment in its key markets (UK, US, Eurozone and Asia Pacific).

Global financial markets entered a period of unprecedented strain in the second half of 2007, with reference interbank lending rates spiking sharply and parts of the short-term money market seizing up. This temporarily tightened monetary conditions, affecting credit supply and denting investor risk appetite, at a time when a slowdown in global economic activity had started. After a series of individual efforts, central banks in Canada, the Eurozone, Switzerland, the UK and the US intervened in concert to improve liquidity conditions in money markets in December. This measure was successful in bringing interest rate spreads in interbank markets back towards historic averages, but uncertainties about the full impact on the real economy and the future evolution of debt markets remain.

The UK interest rate cycle peaked in 2007, with the Monetary Policy Committee (MPC) first hiking the Bank Rate from 5% to 5.75% in three successive 25bps moves in January, May and July, before cutting it back to 5.50% in December and most recently to 5.25% in February. The rate increases were due to a combination of above-trend growth at 3.1% and CPI-inflation exceeding the official target of 2% for most of the year on the back of high commodity prices. Upside risks to inflation over the medium-term prevailed, preventing the MPC from cutting more aggressively in response to the liquidity squeeze in financial markets in December. On balance, monetary conditions were probably in restrictive territory in 2007, which is expected to lead to slower growth in 2008. Sterling's 6% depreciation on a trade-weighted basis only partly offset the dampening impact from strains in money markets and high inflation-adjusted interest rates, which only started to fall towards the end of the year.

US monetary conditions were close to neutral at the start of 2007, with policy rates on hold at 5.25% until the onset of the liquidity crisis in August. A marked slowdown in the US housing market, deterioration in consumer and business confidence and the liquidity squeeze in financial markets prompted the Federal Open Market Committee (FOMC) to bring the federal funds rate down to 4.25% by the end of the year. Despite a 10% decline in the value of the dollar on a trade-weighted basis and the resulting stimulus for US exports, the overall outlook for the US economy darkened materially in the first two months of 2008. The FOMC continued to react aggressively in the face of more evidence of downside risks to economic growth, and further reduced the policy rate by 125bps at two meetings in January, bringing it to 3.00% at the end of February 2008. Even though CPI-inflation ran above 4% by the end of 2007, US bond markets did not seem overly concerned about rising inflationary pressure in the longer term, as the long-end of the yield curve shifted downwards too.

Against the backdrop of robust demand, and an upward trend in CPI-inflation, the European Central Bank raised the official refinancing rate twice in the first half of 2007, from 3.5% to 4%, and staying on hold for the rest of the year. Rapid economic growth in emerging market economies resulted in strong demand for Eurozone export goods, despite a 5% trade-weighted appreciation of the euro. Overall, the Eurozone appeared to be less affected by the liquidity squeeze than the UK or the US, partly because domestic demand had been less reliant on credit.

Asia Pacific was the most dynamic region in 2007, with economic growth outpacing the rate of expansion recorded in other regions. Exports remained the main driver of economic growth, resulting in a large current account surplus, and corresponding inflows of foreign exchange into the region. Some countries in the region continued to manage their currencies, to prevent appreciation. This loosening of monetary conditions boosted domestic investment. Inflationary pressures started to emerge, possibly requiring a tighter stance of monetary policy further out.

In addition to influencing the level of effective demand countries face, exchange rates affect earnings reported by the Group's non-UK subsidiaries, and the value of non-sterling denominated assets and liabilities. Sterling remained strong against the dollar in 2007, gaining another 1%, but slipped by 8% against the euro. These movements have mixed effects on the Group's reported earnings, assets and liabilities, boosting their sterling-value when denominated in euro but depressing their sterling-value when denominated in dollars.

Supervision and regulation

1. United Kingdom

1.1 Authorised firms in the Group

The UK Financial Services Authority (FSA) is the consolidated supervisor of the Group and the Royal Bank. As at 31 December 2007, 31 companies in the Group (excluding subsidiaries of the ABN AMRO Group), spanning a range of financial services sectors (banking, insurance and investment business), were authorised to conduct financial activities regulated by the FSA.

The UK authorised banks in the Group include the Royal Bank, NatWest, Coutts & Co and Ulster Bank Ltd. Wholesale activities, other than Group Treasury activities, are concentrated in the Group's Corporate Markets division and are undertaken under the names of the Royal Bank and NatWest. UK retail banking activities are managed by the Retail Markets division. The exception is Ulster Bank Ltd, which is run as a separate division within the Group. Ulster Bank Ltd provides banking services in Northern Ireland while the banking service to the Republic of Ireland is provided by Ulster Bank Ireland Ltd which is primarily supervised by the Irish Financial Services Regulatory Authority.

Investment management business is principally undertaken by companies in the Retail Markets division, including Adam & Company Investment Management Limited, and in the Corporate Markets division, RBS Asset Management Limited.

General insurance business is principally undertaken by companies in the RBS Insurance division, including Direct Line Insurance plc and Churchill Insurance Company Limited. Life assurance business is undertaken by Royal Scottish Assurance plc and National Westminster Life Assurance Limited (with the Group's partner, the AVIVA Group) and Direct Line Life Insurance Company Limited.

1.2 Regulatory developments and implementation.

Basel II is the most significant change to regulation of the banking industry for many years and will have a lasting effect on our relationships with customers, investors and other key stakeholders. The FSA in the UK has endorsed the Group's approach to managing credit risk under Basel II. This puts us among the small number of UK financial services organisations that are using Advanced Internal Ratings Based approach for the calculation of credit risk capital requirements from 1 January 2008. From 2008, the Group will apply the Standardised Approach for operational risk, migrating to the Advanced Measurement Approach (AMA) in line with the US timescales. The Group has implemented Pillar 2 and Pillar 3 in line with regulatory requirements.

In addition, the Group successfully implemented the Markets in Financial Instruments Directive ('MiFID') by the implementation date of 1 November 2007. MiFID established a comprehensive legislative framework at the European level, which is now implemented in the UK, for the establishment and conduct of investment firms, multilateral trading facilities and regulated markets.

The FSA's high level principles require all regulated firms to treat their customers fairly and a specific industry wide project on Treating Customers Fairly ('TCF') was launched in 2004. The FSA emphasised that TCF will be a key area of focus for the regulator over the coming years. In the summer of 2007 it followed this up by setting out specific targets that it would expect all firms to meet during 2008 in relation to management information required to evidence TCF embeddedness. The Group already had several underlying principles built into the existing customer proposition which clearly demonstrated the concept of fairness in action. These fundamental business values include demonstrating fairness, transparency and honesty throughout the whole relationship with our customers, ensuring that any representations we make are clear, fair and not misleading, and having mechanisms in place to avoid things going wrong and correct any deficiencies.

UK FSA authorised firms must also comply with rules designed to reduce the scope for firms to be used for financial crime and in particular money laundering. Revised Joint Money Laundering Steering Group Guidance Notes were issued on 13 November 2007 to take into account the new Money Laundering Regulations 2007. These Regulations came into force on 15 December 2007 and implemented the EU's Third Money Laundering Directive. Amongst their other provisions, the Regulations endorse a risk based approach to combating money laundering, while also prescribing 'enhanced due diligence' for non face to face customers, 'politically exposed persons' (PEPs) and correspondent banking. Whilst for all material purposes the Group is already compliant – these provisions having been anticipated in industry guidance for some time – internal processes are continually reviewed to ensure best practice standards are met. In particular, the Group has issued new internal policy guidelines based on the regulations and supporting industry guidance against which all divisions have undertaken a gap analysis as a basis for further action plans where necessary.

1.3 Information Commissioners Office

The Information Commissioner's Office (ICO) is the UK's independent public body set up to promote access to official information and to protect personal information. The ICO enforces the Data Protection Act 1998, the Freedom of Information Act 2000, the Privacy and Electronic Communications Regulations 2003 and the Environmental Information Regulations 2004, regulating the organisations that come within their remits. They promote awareness of information rights and obligations and ensure compliance. The Commissioner reports directly to Parliament and has the power to order compliance, using enforcement and prosecution. The Group takes data protection very seriously and follows the guidance provided by the ICO. The Group continues to improve its processes in line with changing guidelines and in order to meet customers increasing expectations in relation to information security.

2. International

2.1 ABN AMRO

The consolidated supervisor of ABN AMRO is the Dutch central bank, De Nederlandsche Bank (DNB). It operates partly as the Dutch central bank and prudential supervisor of banks and insurance companies; and also as part of the European System of Central Banks. Following the acquisition of ABN AMRO the Group now operates in over 50 countries.

2.2 United States

The Group is both a bank holding company and financial holding company within the meaning of the US Bank Holding Company Act of 1956. As such, it is subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Among other things, the Group's direct and indirect activities and investments in the United States are limited to those that are 'financial in nature' or 'incidental' or 'complementary' to a financial activity, as determined by the Federal Reserve. The Group is also required to obtain the prior approval of the Federal Reserve before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of the voting shares of any US bank or bank holding company.

Under current Federal Reserve policy, the Group is required to act as a source of financial strength for its US bank subsidiaries. Among other things, this source of strength obligation could require the Group to inject capital into any of its US bank subsidiaries if any of them became undercapitalised.

The Group's US bank and non-bank subsidiaries and RBS's US branches are also subject to supervision and regulation by a variety of other U.S. regulatory agencies. As of 1 September 2007, Citizens Financial Group's state-chartered bank subsidiaries (with the exception of its bank subsidiary in the State of Pennsylvania) were merged and consolidated into a single nationally chartered bank, RBS Citizens, NA. As a result, RBS Citizens, NA is now supervised by the Office of the Comptroller of the Currency, a bureau of the US Department of the Treasury charged with the regulation and supervision of nationally chartered banks. Citizens Financial Group remains under the supervision of the Federal Reserve as a bank holding company. Citizens Bank of Pennsylvania is subject to the regulation and supervision of the Pennsylvania Department of Banking and the US Federal Deposit Insurance Corporation. RBS's New York branch is supervised by the New York State Banking Department, and its Connecticut branch is supervised by the Connecticut Department of Banking. Both branches are also subject to supervisory oversight by the Federal Reserve, through the Federal Reserve Bank of Boston.

The Group's US insurance agencies are regulated by state insurance authorities. The Group's US broker dealer, Greenwich Capital Markets, Inc., is subject to regulation and supervision by the US Securities and Exchange Commission and the Financial Industry National Regulatory Association (FINRA) with respect to its securities activities. With respect to its futures activities, Greenwich Capital Markets, Inc. is also subject to regulation and oversight by the US Commodity Futures Trading Commission and the Chicago Board of Trade.

The Group is subject to extensive regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Anti-money laundering, anti-terrorism and economic sanctions regulations have become a major focus of US government policy relating to financial institutions and are rigorously enforced by US government agencies.

2.3 Other jurisdictions

The Group and Bank of China have established an exclusive strategic partnership. The Group and Bank of China have agreed to co-operate across a range of business activities, building on Bank of China's distribution strength and the Group's product skills in areas including credit cards, wealth management, corporate banking and personal lines insurance. The Group also continues to grow its other Asian activities, having recently set up new branches in the Middle East and Far East. As in all jurisdictions in which the Group undertakes business, it considers regulatory risk as a key component of is new products approval process to ensure that it meets with local regulatory requirements.

Department of Justice investigation

As previously disclosed by ABN AMRO, the United States Department of Justice has been conducting a criminal investigation into ABN AMRO's dollar clearing activities, Office of Foreign Assets Control compliance procedures and other Bank Secrecy Act compliance matters. ABN AMRO has cooperated and continues to cooperate fully with the investigation. Prior to the acquisition by the Group, ABN AMRO had reached an agreement in principle with the Department of Justice that would resolve all presently known aspects of the ongoing investigation by way of a Deferred Prosecution Agreement in return for a settlement payment by ABN AMRO of US$500 million (which amount was accrued by ABN AMRO in its interim financial statements for the six months ended 30 June 2007). Negotiations are continuing to enable a written agreement to be concluded.

Sub-prime exposures

Certain of the Group's subsidiaries have received requests for information from various US governmental agencies and self-regulatory organisations including in connection with sub-prime mortgages and securitisations, collateralised debt obligations and synthetic products related to sub-prime mortgages. The Group and its subsidiaries are cooperating with these various requests for information and investigations.

Description of property and equipment
The Group operates from a number of locations worldwide, principally in the UK. At 31 December 2007, the Royal Bank and NatWest had 649 and 1,629 retail branches, respectively, in the UK. Ulster Bank and First Active had a network of 282 branches in Northern Ireland and the Republic of Ireland. Citizens had 1,616 retail banking offices (including in-store branches) covering Connecticut, Delaware, Illinois, Indiana, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and Vermont. A substantial majority of the UK branches are owned by the Royal Bank, NatWest and their subsidiaries or are held under leases with unexpired terms of over 50 years. The Group's principal properties include its headquarters at Gogarburn, Edinburgh, its principal offices in London at 135 and 280 Bishopsgate and the Drummond House administration centre located at South Gyle, Edinburgh.

Total capital expenditure on premises (excluding investment properties), computers and other equipment in the year ended 31 December 2007 was £1,792 million (2006 – £1,140 million; 2005 – £1,275 million).

Major shareholders
Details of major shareholders of the company's ordinary and preference shares are given on page 98.

There have been no significant changes in the percentage ownership of major shareholders of the company's ordinary and preference shares during the three years ended 27 February 2008. All shareholders within a class of the company's shares have the same voting rights. The company is not directly or indirectly owned or controlled by another corporation or any foreign government and the company is unaware of any arrangement which might result in a change of control.

At 27 February 2008, the directors of the company had options to purchase a total of 8,603,307 ordinary shares of the company.

As at 31 December 2007, almost all of the company's US$ denominated preference shares and ADSs representing ordinary shares were held by shareholders registered in the US. All other shares were predominantly held by shareholders registered outside the US.

Material contracts
The company and its subsidiaries are party to various contracts in the ordinary course of business. During the year ended 31 December 2007, the company entered into a Consortium and Shareholders' Agreement dated 28 May 2007, among the company, Banco Santander Central Hispano, S.A. Fortis N.V., Fortis SA/NV and RFS Holdings B.V., which governs the relationships amongst these parties in relation to the offers by RFS Holdings B.V. to the holders of ABN AMRO ordinary shares and American Depositary Shares, as more fully described in the section entitled 'Summary of the Consortium and Shareholders' Agreement' included in the company's Form F-4, as amended (Reg. No. 333-144752). Other than the aforementioned agreement, there have been no material contracts entered into outside the ordinary course of business.

FSA Listing Rules disclosure
With effect from 17 October 2007, the Group transferred to Santander (a related party for the purposes of the FSA Listing Rules) its rights and obligations under the Consortium and Shareholders' Agreement in respect of the ABN AMRO Global Clients business in Brazil for €750 million.