

## Business Review – Personal Financial Services

This section contains a summary of the results, and commentary thereon, by Income Statement line item on a trading basis for each segment within the Personal Financial Services businesses, together with reconciliations from the trading basis to the statutory basis. Additional information is provided on the adjustments between the trading basis and the statutory basis in the Business Review - Other Material Items.

### Personal Financial Services profit before tax by segment

	Retail Banking £m	Corporate Banking £m	Global Banking & Markets £m	Private Banking £m	Group Infrastructure £m	Total £m
<b>31 December 2009</b>						
Net interest income/(expense)	3,257	294	-	130	(340)	3,341
Non-interest income	707	163	380	34	33	1,317
<b>Total trading income</b>	<b>3,964</b>	<b>457</b>	<b>380</b>	<b>164</b>	<b>(307)</b>	<b>4,658</b>
Total trading expenses	(1,442)	(181)	(104)	(68)	(149)	(1,944)
Impairment losses on loans and advances	(712)	(31)	-	(2)	(57)	(802)
<b>Trading profit/(loss) before tax</b>	<b>1,810</b>	<b>245</b>	<b>276</b>	<b>94</b>	<b>(513)</b>	<b>1,912</b>
Adjust for:						
- Reorganisation and other costs	(79)	-	-	-	(107)	(186)
- Hedging and other variances	(11)	-	-	-	(25)	(36)
- Capital and other charges	(180)	(86)	-	8	258	-
<b>Profit/(loss) before tax</b>	<b>1,540</b>	<b>159</b>	<b>276</b>	<b>102</b>	<b>(387)</b>	<b>1,690</b>

	Retail Banking £m	Corporate Banking £m	Global Banking & Markets £m	Private Banking £m	Group Infrastructure £m	Total £m
<b>31 December 2008</b>						
Net interest income/(expense)	2,282	134	-	99	(126)	2,389
Non-interest income	836	264	326	37	42	1,505
<b>Total trading income</b>	<b>3,118</b>	<b>398</b>	<b>326</b>	<b>136</b>	<b>(84)</b>	<b>3,894</b>
Total trading expenses	(1,358)	(239)	(107)	(64)	(172)	(1,940)
Impairment losses on loans and advances	(442)	(44)	-	(3)	-	(489)
<b>Trading profit/(loss) before tax</b>	<b>1,318</b>	<b>115</b>	<b>219</b>	<b>69</b>	<b>(256)</b>	<b>1,465</b>
Adjust for:						
- A&L pre-acquisition trading basis results	(300)	(34)	-	(8)	178	(164)
- Reorganisation and other costs	(121)	-	-	-	(42)	(163)
- Profit on part sale of PFS subsidiaries	-	40	-	-	-	40
- Hedging and other variances	-	-	-	-	(84)	(84)
- Capital and other charges	(103)	(14)	-	16	101	-
<b>Profit/(loss) before tax</b>	<b>794</b>	<b>107</b>	<b>219</b>	<b>77</b>	<b>(103)</b>	<b>1,094</b>

	Retail Banking £m	Corporate Banking £m	Global Banking & Markets £m	Private Banking £m	Group Infrastructure £m	Total £m
<b>31 December 2007</b>						
Net interest income/(expense)	1,538	(31)	-	70	(78)	1,499
Non-interest income	635	132	260	34	55	1,116
<b>Total trading income</b>	<b>2,173</b>	<b>101</b>	<b>260</b>	<b>104</b>	<b>(23)</b>	<b>2,615</b>
Total trading expenses	(996)	(30)	(107)	(61)	(105)	(1,299)
Impairment losses on loans and advances	(239)	29	-	(2)	-	(212)
<b>Trading profit/(loss) before tax</b>	<b>938</b>	<b>100</b>	<b>153</b>	<b>41</b>	<b>(128)</b>	<b>1,104</b>
Adjust for:						
- Reorganisation and other costs	(139)	-	(6)	(1)	(132)	(278)
- Profit on part sale of PFS subsidiaries	-	5	-	-	105	110
- Hedging and other variances	-	-	-	-	(72)	(72)
- Capital and other charges	(89)	(11)	-	19	81	-
<b>Profit/(loss) before tax</b>	<b>710</b>	<b>94</b>	<b>147</b>	<b>59</b>	<b>(146)</b>	<b>864</b>

### 2009 compared to 2008

Personal Financial Services trading profit before tax of £1,912m increased by £447m on the previous year (2008: £1,465m), driven by strong income growth across all businesses which exceeded the increase in impairment losses, as well as continued cost control. Trading income was 20% higher, well above the targeted range. In absolute terms the increase in trading income was twice as large as the increase in trading provisions. Trading expenses showed a small increase, due to the inclusion of £98m of Bradford & Bingley savings business related costs following its acquisition in September 2008, which was partially offset by a reduction in other trading expenses resulting from integration benefits from Alliance & Leicester. Santander UK remains on track to deliver targeted cost savings of £180m by 2011.