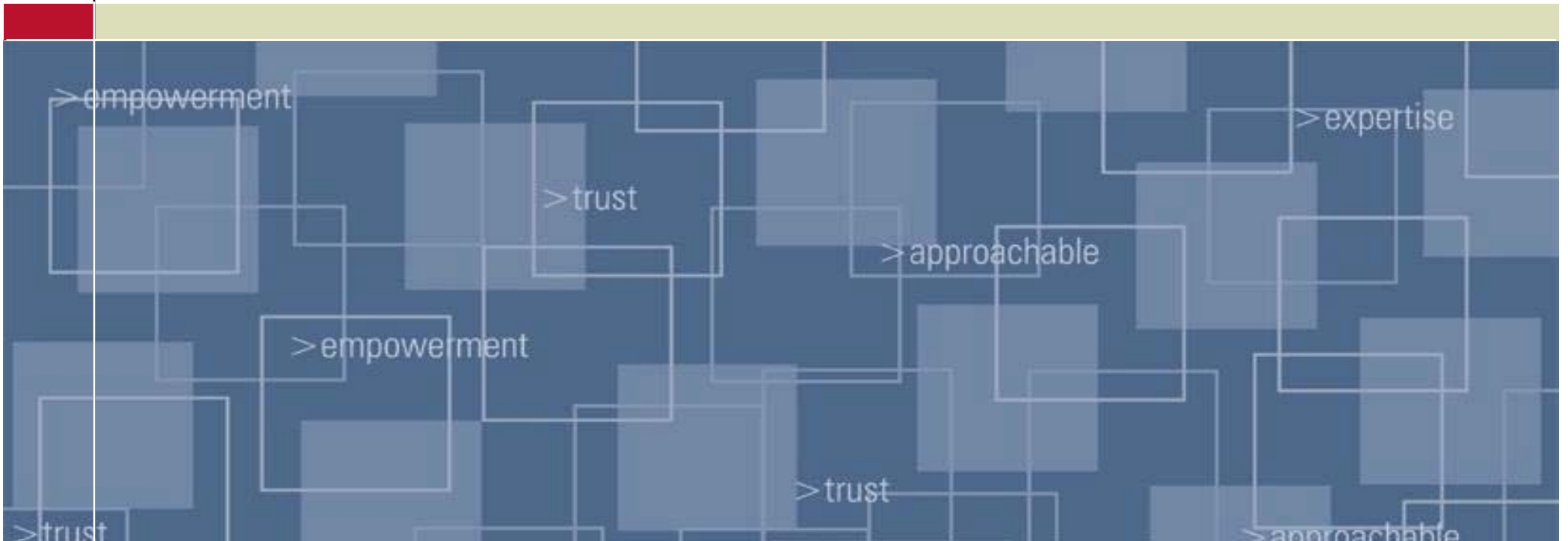


European Restructure

Michael Ullmer, Director Finance and Risk

Lynne Peacock, CEO Europe

30 March 2005



Restructuring plans are on track

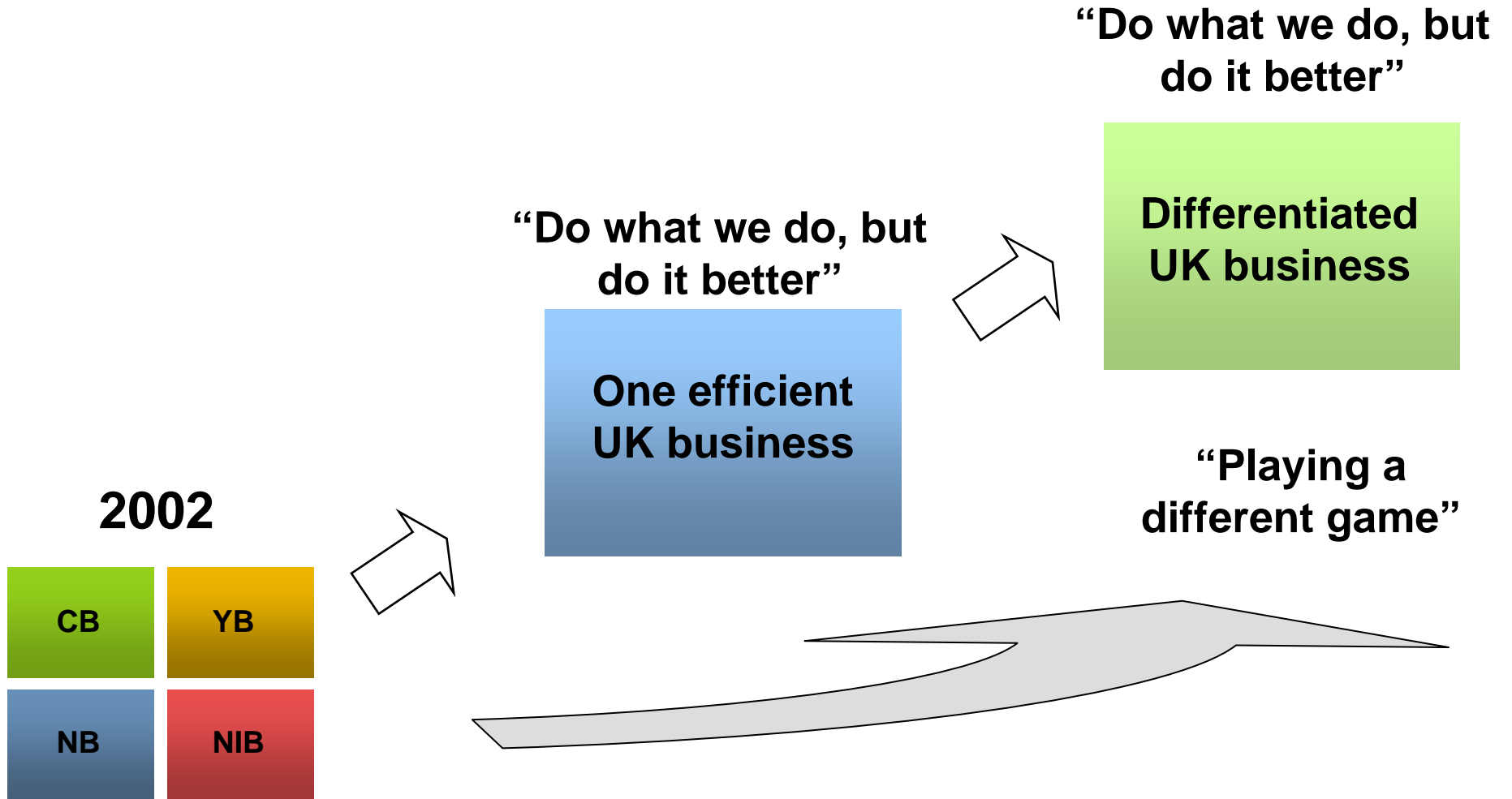


- UK announcing details of restructure plans today, in line with the February strategy conference
 - Implementation is underway
 - Provision to be booked with first half result

- Restructure planning in Australia, New Zealand, IMS and corporate centre on track
 - Outline of restructuring plans to be provided with half year results
 - Restructuring provisions to be booked in second half

- A detailed market briefing on Australian and IMS businesses in second half

UK Strategy for Differentiation



Significant upward cost pressures arising in 2005



- Mandatory spend and inflation
 - Includes compliance programs such as Basel, SOX and IFRS
- Investment in growth initiatives
 - Includes IFS expansion, third party distribution and additional marketing spend
- These pressures generate circa £80m of planned expense increase or 10% growth on 2004 cost base of £764m*
- In response, discretionary expenditure reduced, integration accelerated and restructuring program initiated

* Cost base for Financial Services Europe

Four key restructuring streams have been identified

<h3>Distribution</h3> <ul style="list-style-type: none">- Reconfigure retail distribution footprint- Move to common management structures and key branch roles across CB & YB- Delivery of integrated high street model- Removal of branch support costs	<h3>Products</h3> <ul style="list-style-type: none">- Rationalise and simplify product set- Integrate wealth business with banking business
<h3>Production</h3> <ul style="list-style-type: none">- Centralisation of workload previously conducted in branches and call sweeping – mainly Yorkshire Bank- Converge and streamline processing centres and improve productivity- Reduction in back office occupancy	<h3>Support</h3> <ul style="list-style-type: none">- Integrate and streamline support functions including people & culture, finance and risk- Reduction in head office occupancy – consolidating non-network property in Glasgow and London- Renegotiation of key supplier contracts

Restructuring will deliver £117m run rate benefits by September 2007

	Restructure Costs (£m)	FTE Reductions	Total run rate Savings 2006/07 (£m)	
Distribution	35	c. 400	29	<ul style="list-style-type: none"> ➤ Benefits are against planned 2005 expense base ➤ £73m of restructure charge is personnel related, £36m is surplus lease provision ➤ Modest use of provision current year, expect 80% to be used by September 2006 ➤ Plan to achieve 80% of FTE reductions by September 2006
Products	12	c. 200	15	
Production	16	c. 500	14	
Central Support	46	c. 600	59	
Total	109*	c. 1,700	117	

*restructure provision subject to audit

Summary



- Implementation of a UK efficiency program has commenced
- Benefits begin in September 2005 half year with full run rate benefits of £117m by September 2007
- Program is key part of “doing what we do better” and consistent with overall UK strategy
- Implementation of growth initiatives continuing as planned
- Program benefits are consistent with improving profitability. Further work required to achieve UK peer performance levels.

Disclaimer



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