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SG HAMBROS BANK LIMITED

Report of the Directors and Financial Statements

31 December 2010

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COMPANIES HOUSE

Board of Directors

Chairman

****W J Newbury**

Chief Executive

E E Barnett

Directors

J P Flais

***D Truchi**

****Y Thieffry**

****C C G Clarke**

***I Fisher**

*** J Ripoll**

***Non-executive Director**

****Non-executive Director and member of the Audit Committee**

Company Secretary

G Branson

Registered Office

Norfolk House

31 St James's Square

London SW1Y 4JR

Auditor

Deloitte LLP

London

SG Hambros Bank Limited

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SG Hambros Bank Limited

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the audited financial statements of SG Hambros Bank Limited (the "Bank") for the year ended 31 December 2010

RESULTS FOR THE YEAR

The profit on ordinary activities before tax for the financial year ended 31 December 2010 is £723,000 (2009 £4,298,000)

The loss on ordinary activities after tax for the financial year ended 31 December 2010 is £622,000 (2009 £2,243,000 profit)

No interim dividend was paid in 2010 (2009 £nil) The directors do not recommend payment of a final dividend for the year 2010 (2009 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Bank and its subsidiaries form the private banking arm of the Société Générale Group ("SG Group") in the UK, the Channel Islands, Gibraltar, Canada and the Bahamas The Bank offers its domestic and international clientele an integrated wealth management service, including the provision of banking products and trust structures as well as investment management and financial planning advice

The Bank continued to grow organically in the UK in 2010 with average staff headcount increasing to 202 (2009 195) whilst the number of client relationship managers and assistants increased to 79 (2009 72) Assets under management increased by 9%, before market movements, to over £ 2.8 billion

On 11th February 2010 the Bank decided to increase its investment in the Canadian Wealth Management group (investment advisory business) by CAD 3,800,000 (Canadian Dollars) to facilitate the setting up of a brokerage license and attract financial advisors

As at the year end the directors have also reviewed the carrying value of the Bank's investments and have decided to write down the carrying value of the Canadian Wealth Management investment by CAD 5,000,000 This is primarily due to the fact that the business growth plan initiated at the time of the acquisition has not been fully implemented, mainly as a result of the overall financial crisis and poor market conditions

In 2010, the central treasury team completed its move from Guernsey to London and the Prime Market Access service has been established

On 4th February 2011 the Bank has signed the agreement to acquire the private client investment management business of Baring Asset Management Limited The agreement is expected to be effective in May 2011 This transaction is part of SGPB Hambros ambition to continue to grow its core business across its regions The business brings with it highly qualified and experienced professionals in the wealth management sector and the client base has a similar geographic coverage as the Bank

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks of the bank remain credit or counterparty risk and liquidity risk

Liquidity risk is discussed later in this report

During 2010 the bank experienced some deterioration in the credit ratings of some of the financial counterparties reflecting some underlying sovereign risk concerns The Bank's view is that these changes have not been so severe as to suggest the necessity of any impairment and no issues regarding redemptions and interest payments have been experienced The Bank continues to manage holdings within authorised limits and regular impairment reviews are undertaken in the Group Asset and Liability Committee (Alco)

SG Hambros Bank Limited

REPORT OF THE DIRECTORS

The bank has experienced some increase in provisioning related to a limited number of client loans, but there remains a very low level of client default in the portfolio, reflecting conservative loan to value policies

LIQUIDITY AND GOING CONCERN

Liquidity management is a key part of the Bank's monitoring and control processes. Note 31 to the financial statements includes the Bank's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Bank maintains sufficient liquid assets buffer to operate within the business risk appetite as defined in the ICAAP and for survival under prescribed stress scenarios, including combined stressed scenarios. Liquidity monitoring under stress is monitored frequently by the Group Alco and reported regularly to the Directors of the Board.

The directors believe that the Bank is well placed to manage its business risks successfully despite the current uncertain economic outlook. After consideration, the directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis will continue to be adopted in preparing the annual report and financial statements.

DIRECTORS

The following were directors during the financial year

Chairman	W J Newbury
Chief Executive	E E Barnett
Other Directors	J P Flais D Truchi Y Thieffry (resigned 08/02/2011) C C G Clarke I Fisher J Ripoll
Company Secretary	S Shaw (resigned 17/05/2010) G Branson (appointed 27/05/2010)

DIRECTORS' INTERESTS

No director had a beneficial interest in the shares of the Bank or its subsidiaries during the year

EMPLOYMENT OF DISABLED PERSONS

The Bank supports the employment of disabled persons, where possible, in recruitment, by retention of those who become disabled during their employment, and generally through training, career development and promotion.

EMPLOYEE INVOLVEMENT

The Bank pays particular regard to the involvement of employees generally in the Bank's activities and achievements. Employees are kept aware of particular developments by means of a regular circulation of copies of press notices, memoranda and a separate employee report by means of an intranet site.

DONATIONS

The Bank made charitable donations of £2,590 during the year (2009 £46,035). No political donations were made during the year.

SG Hambros Bank Limited

REPORT OF THE DIRECTORS

CREDITORS PAYMENT POLICY

The Bank is committed to establishing mutually beneficial relationships with its suppliers and it is the policy to pay them within 30 days of the invoice date, or as otherwise agreed. The aggregate amount owed to trade creditors at 31 December 2010 represented 7 days (2009: 8 days) of purchases (based on the aggregate amount invoiced by suppliers during the financial year).

AUDITORS

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

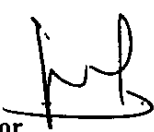
Each of the persons who is a director at the date of approval of this report confirms that

- as far as the director is aware, there is no relevant audit information of which the Bank's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BY ORDER OF THE BOARD

Jean-Pierre Flais


Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit and loss of the Bank for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates which are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SG HAMBROS BANK LIMITED

We have audited the financial statements of SG Hambros Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stuart Barnett (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
United Kingdom
London

30 March 2011

SG Hambros Bank Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Interest receivable	2	30,317	51,349
Interest payable	3	(12,890)	(29,563)
NET INTEREST INCOME		17,427	21,786
Fees and commissions income		20,350	20,819
Fees and commissions expenses		(304)	(311)
Net fee and commission income	4	20,046	20,508
Net trading income/(expense)	5	2,708	(2,934)
Other operating income	6	653	245
OPERATING INCOME		40,834	39,605
Administrative expenses	7	(34,381)	(33,262)
Amortisation	19	(671)	(671)
Depreciation	20	(1,106)	(1,249)
Impairment of Financial Assets	25	(741)	(125)
Impairment of shares in group undertakings	17	(3,212)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	8	723	4,298
Tax on profit on ordinary activities	11	(1,345)	(2,055)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAX RETAINED FOR THE YEAR		(622)	2,243

The results for the years ended 31 December 2010 and 31 December 2009 are derived from continuing operations

The statement of accounting policies and notes on pages 13 to 45 form part of these financial statements

SG Hambros Bank Limited

BALANCE SHEET

As at 31 December 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
Cash		53	276
Loans and advances to banks	12	61,920	84,242
Loans and advances to customers	15 & 25	508,684	339,382
Derivative financial instruments	14	4,104	6,244
Financial investments	16	791,082	1,149,745
Participating interest	18	1,660	1,660
Shares in group undertakings	17	152,061	150,305
Intangible fixed assets	19	8,054	8,725
Tangible fixed assets	20	1,287	2,351
Deferred tax assets	21	1,229	730
Other assets	22	2,361	732
Prepayments and accrued income	22	3,433	1,938
Total assets		<u>1,535,928</u>	<u>1,746,330</u>
LIABILITIES			
Deposits by banks	23	308,907	423,711
Customer accounts	24	914,537	1,007,214
Derivative financial instruments	14	9,870	16,740
Provisions for tax		2,382	577
Other liabilities	26	2,602	6,689
Accruals and deferred income	26	18,135	12,399
Total Liabilities		<u>1,256,433</u>	<u>1,467,330</u>
SHAREHOLDERS' FUNDS			
Called up share capital	27	143,800	143,800
Share premium account	28	45,500	45,500
Profit and loss account	28	47,559	48,181
Available-for-sale reserve	28	136	(981)
Undistributable reserves	28	42,500	42,500
Shareholders' funds		<u>279,495</u>	<u>279,000</u>
Total liabilities and shareholders' funds		<u>1,535,928</u>	<u>1,746,330</u>

SG Hambros Bank Limited

BALANCE SHEET (CONTINUED)

As at 31 December 2010

	Notes	2010 £'000	2009 £'000
MEMORANDUM ITEMS			
Contingent liabilities:			
Guarantees and assets pledged as collateral security	29	<u>133,551</u>	<u>124,578</u>
Commitments			
Other commitments	29	<u>186,894</u>	<u>174,969</u>

Approved by the Board of Directors on 30/03/2011 and authorised for issue and signed on its behalf by

Jean-Pierre Flais



Director

The statement of accounting policies and notes on pages 13 to 45 form part of these financial statements

Registered No 964058

SG Hambros Bank Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
(Loss) / Profit for the financial year	28	(622)	2,243
Gains on revaluation of available-for-sale investments taken to equity	28	2,203	33,658
Tax on available-for-sale investments taken to equity	28	(434)	(9,440)
Transfer of (loss) / profit on sale of available-for-sale investments	28	(652)	54
Total recognised gains and losses relating to the year		<u>495</u>	<u>26,515</u>
Prior year adjustments	35	-	(25,643)
Total gains and losses recognised since previous annual report and financial statements		<u>-</u>	<u>872</u>

SG Hambros Bank Limited

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

ACCOUNTING CONVENTION

The financial statements are prepared on the historical cost basis of accounting except for available-for-sale instruments and derivatives which are recorded at fair value. They have been drawn up in accordance with applicable accounting standards in the United Kingdom. The Bank's financial statements are prepared in accordance with the British Bankers' Association Statements Of Recommended Practices covering Advances, Securities, Derivatives, Contingent Liabilities and Commitments and Segmental Reporting, and in accordance with Schedule 2 of the Companies Act 2006.

GOING CONCERN

The Bank's financial statements are prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt concerning the entity's ability to continue as a going concern.

GROUP FINANCIAL STATEMENTS

SG Hambros Bank Limited (the "Bank") is exempt by virtue of Section 400 of the Companies Act 2006, from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. These financial statements present information about the Bank as an individual undertaking and not about its group. The Bank is included in the consolidated financial statements of Société Générale SA ("SG") which is incorporated in France.

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (Revised) the Bank is exempt from the requirement to prepare a cash flow statement. This is on the grounds that for the year ended 31 December 2010 more than 90% of the voting rights were controlled by Société Générale SA and a consolidated cash flow statement, including the cash flows of the Bank for this year, is included in Société Générale SA's financial statements for the year ended 31 December 2010 which are publicly available.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial assets and liabilities are classified into loans and receivables, financial assets and liabilities designated to fair value through profit and loss, available for sale, held-to-maturity and held for trading in accordance with FRS 26. The Bank has not designated any financial investments or debt securities as fair value through profit and loss, on adoption of FRS 26.

FINANCIAL ASSETS AND LIABILITIES

Purchase and sale of non-derivative financial assets and liabilities at fair value through profit or loss, financial assets held-to-maturity and available-for-sale financial assets are recognised in the balance sheet on the settlement date while derivatives are recognised on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Loans and receivables are recorded in the balance sheet on the date they are paid or on the maturity.

When initially recognised, financial assets and liabilities are measured at fair value plus transaction costs.

SG Hambros Bank Limited

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(i) Loans and receivables

Loans and advances to banks and customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and neither held for trading purposes nor intended for sale from the time they are originated or contributed. After initial measurements, these loans and advances are subsequently measured at amortised costs using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any premium or discount on acquisition and fees and costs that are an integral part of the effective interest rate method.

(ii) Held for trading assets and liabilities

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognised in the balance sheet under investments - Financial assets or liabilities at fair value through profit and loss. Changes in fair value are recorded in the profit and loss account as Net gain or losses on financial instruments at fair value through profit and loss.

(iii) Held-to-maturity financial assets ("HTM")

These are non-derivative financial assets with fixed or determined payments and a fixed maturity, that are quoted in an active market and which the Bank has the intention and ability to hold to maturity. They are valued after acquisition at their amortised costs and may be subject to impairment as appropriate. The amortised cost includes premiums and discounts as well as transaction costs and they are recognised in the balance sheet under investments.

(iv) Available-for-sale financial assets ("AFS")

These are debt securities held for an indeterminate period which the Bank may sell at any time. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains or losses are recognised directly in equity in the 'Available-for-sale reserve'. When the investment is disposed of or if it becomes part of fair value hedging relationship, the cumulative gain or loss previously recognised in the reserve is included in the profit and loss for the period.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

LEASES

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NET INTEREST INCOME

Net interest income comprises income from banking activities, namely interest receivable on loans, advances, deposits placed and investment in debt securities less interest payable on deposits taken. Interest arising from the internal funding of dealing activities is included within interest receivable. Revenue is recognised as interest accrues using the effective interest method.

SG Hambros Bank Limited

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

NET TRADING INCOME

This comprises profits and losses from foreign exchange activities and from dealing in financial instruments, including interest and dividends receivable, less associated funding costs

DIVIDENDS

Revenue is recognised when the Bank's right to receive payment is established

FEES AND COMMISSIONS INCOME

Fees and commissions are recognised on an accruals basis. Arrangement fees are booked as deferred income on the balance sheet and recognised in the profit and loss account over the period of the arrangement

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Net income in foreign currencies is translated into sterling and recorded at the rates of exchange ruling at the end of each day

Foreign currency equity investments hedged by foreign currency borrowings or foreign exchange contracts are retranslated into sterling at the rates of exchange ruling at the balance sheet date and the exchange differences arising taken to the profit and loss. The exchange difference arising on related foreign currency borrowings is also taken to the profit and loss

PENSION COSTS

The Bank operates a defined contribution pension scheme and contributes to a Société Générale UK defined benefit pension scheme and the Société Générale Group scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

PROVISIONS FOR LIABILITIES

A provision is recognised when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Specific provisions are made against loans and advances when, as a result of a detailed appraisal of the loans and advances portfolio, it is considered that recovery is doubtful. Specific provisions are deducted from loans and advances. Provisions made during the year (less amounts released and recoveries of amounts written off in previous years) are charged against profits. When the collection of interest is in significant doubt it is credited to a suspense account. Where there is no longer any realistic prospect of recovery the outstanding debt is written off

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future flows of the investment have been impacted.

Objective evidence of impairment could include

- significant financial difficulty of the issuer or counterparty, or
- default or delinquency in interest or principal payments, or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

DERECOGNITION OF FINANCIAL ASSETS

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and options. Further details of derivative financial instruments are disclosed in the 'Financial instruments' note to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the profit and loss account immediately unless the derivative is designated an effective hedging instrument, in which event the timing of the recognition in the profit and loss account depends on the nature of the hedge relationship. The Bank designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

CURRENT TAX

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

SG Hambros Bank Limited

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

INVESTMENTS IN GROUP UNDERTAKINGS

The carrying value of the Bank's investments in subsidiary undertakings is stated at historical cost adjusted for any movement in foreign exchange rate less any provision for impairment

PARTICIPATING INTERESTS

Participating interests are investments in companies, not being group undertakings, whose directors include representatives of the Bank. The Bank intends to hold these investments long term with the purpose of securing a contribution to the Bank's profits. Such interests are stated at cost less any provision for impairment.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. They are written off on the straight-line basis over their estimated useful lives as follows:

Leasehold properties	3 years
Computer equipment	3 - 5 years
Furniture, fixtures and fittings	10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Bank is exempt from the requirement to disclose related party transactions within the Société Générale Group on the grounds that for the year ended 31 December 2010 100% of the voting rights were controlled by Société Générale SA whose financial statements are publicly available.

INTANGIBLE ASSETS - GOODWILL

Goodwill relates to the acquisition of ABN Amro's private banking business in 2007. The Bank amortises purchased goodwill on a straight line basis over 15 years, to reflect the nature of the long-term relationships and low attrition rates. A review for impairment is carried out periodically.

HEDGE ACCOUNTING

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where the hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 December 2010

HEDGE ACCOUNTING (CONTINUED)

Fair value hedges

For designated and qualifying fair value hedges, the change in fair value of a hedging derivative is recognised in the income statement in 'Net trading income'. Meanwhile the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. If the hedge is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. SEGMENTAL ANALYSIS

The Statement of Recommended Practice on Segmental Reporting by Bank recommends, inter alia, operating profit and net assets to be disclosed by class of business and geographical segment. No such analyses have been presented, since the Bank operates in a single segment, private banking, based primarily in the United Kingdom.

2. INTEREST RECEIVABLE

	2010 £'000	2009 £'000
Due from banks	450	2,060
Loans and advances to customers	9,426	16,208
Financial investments- available-for-sale	14,425	27,378
Financial investments- held-to-maturity	4,312	5,048
Other	1,704	655
	<u>30,317</u>	<u>51,349</u>

3. INTEREST PAYABLE

	2010 £'000	2009 £'000
Due to banks	2,860	12,897
Due to customers	3,175	6,367
Other	6,855	10,299
	<u>12,890</u>	<u>29,563</u>

4. NET FEE AND COMMISSION INCOME

Included in the net fee and commission income is £799,465 (2009 £926,142) of fee income relating to trust and other fiduciary activities.

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. NET TRADING INCOME/(EXPENSE)

	2010 £'000	2009 £'000
Other interest rate instruments	(256)	(4,290)
Foreign exchange	3,088	745
Hedge ineffectiveness from fair value hedging		
- Losses on hedged items attributable to the hedged risk	(3,339)	(4,048)
- Gains on hedging instruments	3,215	4,659
	<u>2,708</u>	<u>(2,934)</u>

The results of trading money market instruments, interest rate swaps, options and other derivatives are recorded under 'Other interest rate instruments'

'Foreign exchange' income includes gains and losses from spot and forward contracts and other currency derivatives

6. OTHER OPERATING INCOME

	2010 £'000	2009 £'000
Dividend income from		
- other equity investments	1	299
Losses from sales of available-for-sale financial investments	(85)	(114)
Gains from sales of available-for-sale financial investments	737	60
	<u>653</u>	<u>245</u>

7. ADMINISTRATIVE EXPENSES

	2010 £'000	2009 £'000
Staff costs		
- Wages and salaries	20,465	16,848
- Social security costs	2,422	3,001
- Pension costs (Note 10)	1,042	1,820
- Other staff costs	1,311	731
Other administrative expenses	9,141	10,862
	<u>34,381</u>	<u>33,262</u>

Social security costs for the year include nil (2009 £1,116,900) of Bank Payroll Tax, relating to nil (2009 £3,418,800) of discretionary bonuses for nil (2009 44) staff. The average number of employees during the year was 202 (2009 195). In addition nil (2009 2) contracted employees were seconded to work in subsidiary companies. All employees were employed in private banking based principally in the United Kingdom.

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before taxation is stated after the following charges

	2010 £'000	2009 £'000
Auditors' remuneration		
- Audit of the bank	276	241
- Non-audit work	-	-
	<u>276</u>	<u>241</u>

9. EMOLUMENTS OF DIRECTORS

The emoluments of directors comprised

	2010 £'000	2009 £'000
Salary and benefits	552	764
Performance related benefits	400	464
	<u>952</u>	<u>1,228</u>

Benefits comprise provision of motor cars, accommodation, subsidised loans and private health care insurance

The emoluments of the highest paid director were as follows

	2010 £'000	2009 £'000
Salary and benefits and performance related bonuses	396	638

The accrued pension of the highest paid director as at 31 December 2010 was £57k (2009 £55k)

	2010 No	2009 No.
The number of directors accruing benefits under the following schemes during the year was		
SG UK Defined Benefit Scheme	<u>1</u>	<u>1</u>
SG Hambros Defined Contribution Scheme	<u>1</u>	<u>1</u>

Four of the current non-executive directors are employed by Société Générale SA, emoluments for these directors are included in the statutory financial statements of Société Générale SA and are excluded from the figures above

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. PENSION COSTS

All employees are covered by SG Group pension schemes, subject to their satisfying minimum entry requirements. The schemes are of both the defined benefit and defined contribution type. The total pension cost for the Bank was £1,042,107 (2009 £1,819,928)

Defined Benefit Scheme

The Bank participates in a multi-employer scheme, the SG UK Defined Benefit Scheme ("the Scheme"). This Scheme is not open to new members. The Scheme was created with effect from 1 January 2004 following the merger of the Société Générale Group Retirement and Death Benefit Scheme for United Kingdom Staff (the London Branch Scheme) and the Société Générale Strauss Turnbull Securities Limited Pension Scheme (the SGST Scheme) with the SG Hambros Scheme. To effect this merger, the assets and liabilities of the SGST and London Branch schemes were transferred into the SG Hambros Scheme. In addition, members of the SG Hambros Scheme received benefit improvements and the financial effects of these benefit improvements are reflected in the disclosure below.

The Scheme is a "multi-employer scheme", in accordance with paragraphs 8-12 of the FRS 17. The Directors based on the advice of the Scheme Actuary consider that, in accordance with paragraph 9(b) of the Standard, the Bank is unable to identify on a consistent and reasonable basis its share of the underlying assets and liabilities of the Scheme. Therefore, for the purposes of FRS 17, the Bank accounts for its pension cost arising under the Scheme as if it were a defined contribution scheme.

The total defined benefit pension cost and contribution for the Bank was a credit of £199,518 in 2010 (2009 £689,018) following an overpayment in 2008. A full actuarial valuation of the SG Hambros scheme was last carried out as at 31 December 2007.

FRS 17 Disclosures

For the purpose of FRS 17 only, the results of the valuation were updated as at 31 December 2010 to take account of the requirements of FRS 17 in order to assess the liabilities of the Scheme at 31 December 2010. The disclosures as below are based on that valuation.

<i>Fair value Review</i>	2010 £'000	2009 £'000
Fair Value of Scheme assets	438,200	387,200
Actuarial value of Scheme liabilities	(464,900)	(438,000)
Deficit in the Scheme before deferred tax	(26,700)	(50,800)
Deferred tax at 27% (2009 28%)	7,209	14,224
Net Scheme liability after deferred tax	<u>(19,491)</u>	<u>(36,576)</u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. PENSION COSTS (CONTINUED)

Defined Contribution Scheme

The Bank also provides employees access to a defined contribution scheme "SG Money Purchase Scheme" Contributions to this scheme were £1,196,059 during the year (2009 £984,084) No contributions were outstanding at the year end The contributions to this fund currently range from 2.5% to 15% of pensionable salary In addition £19,038 was paid into employees' personal money purchase schemes (2009 £14,012) and £26,528 was paid into the SG Group Scheme in relation to expatriate employees (2009 £132,815)

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
UK corporation tax		
Current year charge at 28% (2009 28%)	1,398	2,054
Prior year adjustment	(95)	294
	<u>1,303</u>	<u>2,348</u>
Deferred tax		
Current year release	(66)	(127)
Prior year adjustment	62	(166)
Reduction in corporation tax rate to 27%	46	-
Total taxation charge	<u>1,345</u>	<u>2,055</u>

The tax assessed on the profit on ordinary activities for the year at 186% (2009 47.8%) is higher than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are reconciled below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>723</u>	<u>4,298</u>
Notional charge at 28% (2009 28%)	202	1,203
Permanent differences	234	91
Bank Payroll Tax	(3)	345
Short term timing differences	66	127
Estimate of Controlled Foreign Corporation (CFC) tax payable	-	288
Prior year adjustment	(95)	294
Impairment provision	899	-
	<u>1,303</u>	<u>2,348</u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

12. LOANS AND ADVANCES TO BANKS

	2010 £'000	2009 £'000
Repayable on demand	40,846	47,447
Remaining maturity		
- 3 months or less	8,264	31,495
- 1 year or less but over 3 months	7,510	-
- Over 1 year	5,300	5,300
	<u>61,920</u>	<u>84,242</u>
Amounts include		
Due from group undertakings		
- unsubordinated	<u>15,364</u>	<u>17,551</u>

13. FINANCIAL INSTRUMENTS CLASSIFICATION

The following tables analyse the Group's financial assets and financial liabilities in accordance with the categories of financial instruments in FRS 26. Assets and liabilities outside the scope of FRS 26 are shown separately.

31 st December 2010	Held-to Maturity £'000	Held for Trading £'000	Hedging Derivatives £'000	AFS £'000	Loans and receivables £'000	Non Financial £'000	Total £'000
Assets							
Cash	-	-	-	-	53	-	53
Loans and advances to banks	-	-	-	-	61,920	-	61,920
Loans and advances to customers	-	-	-	-	508,684	-	508,684
Derivative financial instruments	-	4,104	-	-	-	-	4,104
Financial investment	81,590	-	-	709,492	-	-	791,082
Participating interest	-	-	-	-	-	1,660	1,660
Shares in group undertakings	-	-	-	-	-	152,061	152,061
Intangible fixed assets	-	-	-	-	-	8,054	8,054
Tangible fixed assets	-	-	-	-	-	1,287	1,287
Deferred tax assets	-	-	-	-	-	1,229	1,229
Other assets	-	-	-	-	2,361	-	2,361
Prepayments and accrued income	-	-	-	-	-	3,433	3,433
	<u>81,590</u>	<u>4,104</u>	<u>-</u>	<u>709,492</u>	<u>573,018</u>	<u>167,724</u>	<u>1,535,928</u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. FINANCIAL INSTRUMENTS CLASSIFICATION (CONTINUED)

31 st December 2010	Held-to Maturity £'000	Held for Trading £'000	Hedging Derivatives £'000	AFS £'000	Loans and receivables £'000	Non Financial £'000	Total £'000
Liabilities							
Deposits by banks	-	-	-	-	308,907	-	308,907
Customers accounts	-	-	-	-	914,537	-	914,537
Derivative financial instruments	-	4,626	5,244	-	-	-	9,870
Provisions for tax	-	-	-	-	-	2,382	2,382
Other liabilities	-	-	-	-	2,602	-	2,602
Accruals and deferred income	-	-	-	-	-	18,135	18,135
Equity	-	-	-	-	-	279,495	279,495
	<u>-</u>	<u>4,626</u>	<u>5,244</u>	<u>-</u>	<u>1,226,046</u>	<u>300,012</u>	<u>1,535,928</u>
31st December 2009							
Assets							
Cash	-	-	-	-	276	-	276
Loans and advances to banks	-	-	-	-	84,242	-	84,242
Loans and advances to customers	-	-	-	-	339,382	-	339,382
Derivative financial instruments	-	6,244	-	-	-	-	6,244
Debt Securities	96,719	-	-	1,053,026	-	-	1,149,745
Participating interest	-	-	-	-	-	1,660	1,660
Shares in group undertakings	-	-	-	-	-	150,305	150,305
Intangible fixed assets	-	-	-	-	-	8,725	8,725
Tangible fixed assets	-	-	-	-	-	2,351	2,351
Deferred tax assets	-	-	-	-	-	730	730
Other assets	-	-	-	-	732	-	732
Prepayments and accrued income	-	-	-	-	-	1,938	1,938
	<u>96,719</u>	<u>6,244</u>	<u>-</u>	<u>1,053,026</u>	<u>424,632</u>	<u>165,709</u>	<u>1,746,330</u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. FINANCIAL INSTRUMENTS CLASSIFICATION (CONTINUED)

31 st December 2009	Held-to Maturity £'000	Held for Trading £'000	Hedging Derivatives £'000	AFS £'000	Loans and receivables £'000	Non Financial £'000	Total £'000
Liabilities							
Deposits by banks	-	-	-	-	423,711	-	423,711
Customers accounts	-	-	-	-	1,007,214	-	1,007,214
Derivative financial instruments	-	8,281	8,459	-	-	-	16,740
Provisions for tax	-	-	-	-	-	577	577
Other liabilities	-	-	-	-	6,689	-	6,689
Accruals and deferred income	-	-	-	-	-	12,399	12,399
Equity	-	-	-	-	-	279,000	279,000
	<u>-</u>	<u>8,281</u>	<u>8,459</u>	<u>-</u>	<u>1,437,614</u>	<u>291,976</u>	<u>1,746,330</u>

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither market risk nor the credit risk.

	Assets 2010 £'000	Liabilities 2010 £'000	Notional Amount 2010 £'000	Assets 2009 £'000	Liabilities 2009 £'000	Notional Amount 2009 £'000
Derivatives held for trading						
Interest rate swaps	383	(1,841)	57,660	315	(1,680)	44,966
Forward foreign exchange contracts	3,721	(2,785)	276,582	2,418	(3,090)	282,008
Interest rate options	-	-	-	3,511	(3,511)	8,687
	<u>4,104</u>	<u>(4,626)</u>	<u>334,242</u>	<u>6,244</u>	<u>(8,281)</u>	<u>335,661</u>
Derivatives used as fair value hedge						
Interest rate swaps	-	(5,244)	170,000	-	(8,459)	170,000
	<u>4,104</u>	<u>(9,870)</u>	<u>504,242</u>	<u>6,244</u>	<u>(16,740)</u>	<u>505,661</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit and loss of the Bank.

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk (see Note 32)

Derivative financial instruments held for trading purposes

Most of the Bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties

Derivative financial instruments held for hedging purposes

As part of its asset and liability management, the Bank has entered into fair value hedges in 2009 to reduce its exposure to changes in fair value of financial assets due to movement in interest rates. The hedged items for these fair value hedge relationships of interest rate risk are large corporate fixed-rate bonds. The Bank uses the interest rate swaps to hedge against the interest rate risks of fixed rate available-for-sale debt securities where the interest is fixed for more than three months. As at 31 December 2010 fixed rate financial assets of £174.8m (2009 £178.8m) were hedged by interest rate swaps in fair value hedge relationship.

The accounting treatment, explained in Notes to the Financial statements 'Hedge accounting', depends on the nature of the item hedged and compliance with FRS 26 hedge accounting criteria. The hedge ineffectiveness, recognised in net trading expenses, is shown in Note 5.

15. LOANS AND ADVANCES TO CUSTOMERS

	2010 £'000	2009 £'000
Remaining maturity		
- 3 months or less	445,127	267,226
- 1 year or less but over 3 months	33,078	44,720
- Over 1 year	31,981	28,221
	<u>510,186</u>	<u>340,167</u>
Impairment of financial assets (Note 25)	(1,502)	(785)
	<u>508,684</u>	<u>339,382</u>
	2010 £'000	2009 £'000
Of which repayable on demand	<u>360,681</u>	<u>201,937</u>
No amounts were due from group undertakings		

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. FINANCIAL INVESTMENTS

Investments comprise of the following

(a) Held-to-maturity investments at amortised cost

	2010 £'000	2009 £'000
Quoted investments		
Government debt securities	81,590	96,719

The fair value of the HTM investments is closely approximated to the amortised cost

(b) Available-for-sale investments at fair value

	2010 £'000	2009 £'000
Quoted investments		
Fixed rate bonds	175,815	178,726
Other debt securities		
- Government debt securities	49,946	-
- Floating Rate Notes	469,548	857,791
- Certificates of deposit	13,114	16,509
Equities	1,069	-
	<u>709,492</u>	<u>1,053,026</u>
Total financial investments	<u>791,082</u>	<u>1,149,745</u>

17. SHARES IN GROUP UNDERTAKINGS

	2010 £'000	2009 £'000
Cost		
At 1 January	167,882	170,897
Additions	2,482	-
Exchange movements	2,486	(3,015)
At 31 December	<u>172,850</u>	<u>167,882</u>
Provision for Impairment		
SG Hambros Bank & Trust (Bahamas) Ltd	(17,577)	(17,577)
Canadian Wealth Management Ltd	(3,212)	-
Carrying value at 31 December	<u>152,061</u>	<u>150,305</u>

Additions represent the investment in the Canadian Wealth Management group by \$ 3,800,000 CAD

The carrying value of the Bank's investments in subsidiary undertakings is recorded at historical cost, less any impairment. The carrying value of the Canadian Wealth Management group has suffered due to the impact of

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

17. SHARES IN GROUP UNDERTAKINGS (CONTINUED)

the financial crisis on the business growth plan as initiated at the acquisition date, the directors have written down the value of investment by \$ 5,000,000 CAD

	2010 £'000	2009 £'000
Subsidiary Undertakings		
Credit institutions	151,811	150,055
Other	250	250
	<u>152,061</u>	<u>150,305</u>

All of the shares in subsidiary undertakings are unlisted

The principal subsidiary undertakings are as follows

<u>Country of incorporation</u>	<u>Company</u>	<u>Activity</u>	<u>Interest %</u>
Bahamas	SG Hambros Bank & Trust (Bahamas) Ltd	Executor & trustee services	100
Gibraltar	SG Hambros Bank (Gibraltar) Ltd	Private banking	100
Jersey	SG Hambros Bank (Channel Islands) Ltd	Private banking	100
Jersey	SG Hambros Trust Company (Channel Islands) Ltd	Executor & trustee services	100
UK	SG Hambros Trust Company Ltd	Executor & trustee services	100
UK	SG Hambros (London) Nominees Ltd	Nominee company	100
Canada	SG Hambros Trust Co (Canada) Inc	Executor & trustee services	100
Canada	Canadian Wealth Management Ltd	Wealth management	100

All the above holdings are in ordinary shares and are owned directly by the Bank with the exception of SG Hambros Trust Company (Channel Islands) Ltd and Canadian Wealth Management Ltd

The SG Hambros Trust Company Ltd and SG Hambros (London) Nominees Ltd were incorporated in the UK and are registered in England and Wales

The country of incorporation is also the principal area of operation for each of the above undertakings

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

18. PARTICIPATING INTEREST

	2010 £'000	2009 £'000
DAH Holdings Limited	1,436	1,436
SG Trust (Asia) Ltd	224	224
At 31 December	<u>1,660</u>	<u>1,660</u>

Equity shares represent unlisted investments in participating interests

A 24.5% holding of the ordinary shares of DAH Holdings Limited, a company incorporated in Bermuda whose principal activity is private banking, was purchased for £1,436,263 (HKD 18,065,316) on 21 February 1997. The company's functional currency is US dollar.

A shareholding in SG Trust (Asia) Ltd (incorporated in Singapore), purchased for £223,793 (SGD 570,000) on 25 January 2001, representing 19% of the ordinary share capital of the company. This company's principal activity is executor and trustee services.

These investments are classified as participating interests as, in the Directors' opinion, the Bank has no significant influence over their activities.

19. INTANGIBLE FIXED ASSETS

	2010 £'000	2009 £'000
Goodwill		
Cost		
At 1 January and 31 December	8,725	9,396
Amortisation		
Charge for the year	(671)	(671)
Carrying value at 31 December	<u>8,054</u>	<u>8,725</u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

20. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Total £'000
Cost				
At 31 December 2009	1,144	2,807	2,794	6,745
Additions	-	194	12	206
Disposals	-	(2,050)	(495)	(2,545)
At 31 December 2010	<u>1,144</u>	<u>951</u>	<u>2,311</u>	<u>4,406</u>
Accumulated Depreciation				
At 31 December 2009	(762)	(2,399)	(1,233)	(4,394)
Charge for the year	(382)	(309)	(415)	(1,106)
Disposals	-	2,036	345	2,381
At 31 December 2010	<u>(1,144)</u>	<u>(672)</u>	<u>(1,303)</u>	<u>(3,119)</u>
Net book value at:				
31 December 2009	382	408	1,561	2,351
31 December 2010	<u>-</u>	<u>279</u>	<u>1,008</u>	<u>1,287</u>

The Bank does not hold any property with leases over 50 years

21. DEFERRED TAX ASSET

	2010 £'000	2009 £'000
At 1 January	730	9,877
Prior year adjustment	(62)	166
Release / (Charge) for the year		
- Profit and Loss account	66	127
- AFS reserves	-	(9,440)
- Transfer to CT	541	-
Reduction in CT rate to 27%	(46)	-
At 31 December	<u>1,229</u>	<u>730</u>

The provision for UK deferred tax asset relates to capital allowances and other timing differences and has been calculated at 27% (2009 28%) being the rate of corporation tax at which the assets or liabilities are expected to reverse

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. OTHER ASSETS

	2010 £'000	2009 £'000
Other debtors	2,361	732
Prepayments and accrued income	3,433	1,938

Other debtors include £nil due from group companies (2009 £nil)

23 DEPOSITS BY BANKS

	2010 £'000	2009 £'000
Repayable on demand	53,797	46,543
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less but not repayable on demand	90,504	353,980
- 1 year or less but over 3 months	164,606	23,188
	<u>308,907</u>	<u>423,711</u>

Amounts include:

Due to group undertakings	<u>308,634</u>	<u>400,395</u>
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24. CUSTOMER ACCOUNTS

	2010 £'000	2009 £'000
Repayable on demand	586,421	520,850
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less but not repayable on demand	254,728	441,867
- 1 year or less but over 3 months	42,741	18,338
- Over 1 year	30,647	26,159
	<u>914,537</u>	<u>1,007,214</u>

Amounts include:

Due to group undertakings	<u>438</u>	<u>33</u>
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SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

25 IMPAIRMENT OF FINANCIAL ASSETS

	2010 £'000	2009 £'000
Specific provisions		
At 1 January	785	806
Released	-	(27)
Written off	(17)	(39)
Charged against profits	741	125
Exchange rate movement	(7)	(80)
At 31 December	<u>1,502</u>	<u>785</u>

All of the above provisions relate to loans and advances to customers

The Bank has experienced a low level of client default since concentrating on Private Client banking in 1998

Included within the year-end specific provision is an amount of £628 (2009 £5,163) relating to interest

26. OTHER LIABILITIES

	2010 £'000	2009 £'000
Other creditors	2,602	6,689
Accruals and deferred income	<u>18,135</u>	<u>12,399</u>

Other creditors include £3,429 owed to group companies (2009 £1,109,514)

27 CALLED UP SHARE CAPITAL

	Number of shares '000	2010 Value of shares £'000	Number of shares '000	2009 Value of shares £'000
Authorised:				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	143,800	143,800	143,800	143,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

28. EQUITY SHAREHOLDERS' FUNDS

	Called up Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	Undis- tributable reserves £'000	AFS reserves £'000	Total £'000
At 1 January 2009	143,800	45,500	45,938	42,500	(25,253)	252,485
Profit for the year	-	-	2,243	-	-	2,243
Released on disposal of available-for-sale investments to profit and loss	-	-	-	-	54	54
Increase in fair value on revaluation of available- for -sale investments	-	-	-	-	33,658	33,658
Tax on fair value movement of available- for-sale investment	-	-	-	-	(9,440)	(9,440)
At 31 December 2009	143,800	45,500	48,181	42,500	(981)	279,000
Loss for the year	-	-	(622)	-	-	(622)
Released on disposal of available-for-sale investments to profit and loss	-	-	-	-	(652)	(652)
Increase in fair value on revaluation of available- for -sale investments	-	-	-	-	2,203	2,203
Tax on fair value movement of available- for-sale investment	-	-	-	-	(434)	(434)
At 31 December 2010	143,800	45,500	47,559	42,500	136	279,495

Undistributable reserves relate to the unrealised gain on the transfer of a subsidiary in 2005

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

29. MEMORANDUM ITEMS

At the year end the contract amounts and risk weighted amounts of contingent liabilities and commitments were

CONTINGENT LIABILITIES

	Contract amount £'000	2010 Risk weighted amount £'000	Contract amount £'000	2009 Risk weighted amount £'000
Guarantees and assets pledged as collateral security - guarantees and irrevocable letters of credit	133,551	83,696	124,578	79,611

Included in the above are guarantees given on behalf of subsidiary undertakings of £958,159 (2009 1,106,638)

COMMITMENTS

	Contract amount £'000	2010 Risk weighted amount £'000	Contract amount £'000	2009 Risk weighted amount £'000
Other commitments undrawn facilities - less than 1 year	186,894	2,513	174,969	4,418

The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basel agreement on capital adequacy

Annual commitments under operating leases are as follows

	2010 £'000	2009 £'000
Expiry date		
- within one year	1,433	1,265
- between two and five years	5,589	5,060
- after five years	85	1,265
	<u>7,107</u>	<u>7,590</u>

SG Hambros Bank Limited

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy

2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	382	-	382
Forward foreign exchange contracts	-	3,722	-	3,722
	<u>-</u>	<u>4,104</u>	<u>-</u>	<u>4,104</u>
AFS Financial investments				
Government debt securities	49,946	-	-	49,946
Other debt securities	658,477	-	-	658,477
Equities	1,069	-	-	1,069
	<u>709,492</u>	<u>4,104</u>	<u>-</u>	<u>713,596</u>
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	7,085	-	7,085
Forward foreign exchange contracts	-	2,785	-	2,785
	<u>-</u>	<u>9,870</u>	<u>-</u>	<u>9,870</u>

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

2009	Level 1	Level 2	Level 3	Total
Financial assets	£'000	£'000	£'000	£'000
Derivative financial instruments				
Interest rate swaps	-	315	-	315
Forward foreign exchange contracts	-	2,418	-	2,418
Interest rate options	-	-	3,511	3,511
	<u>-</u>	<u>2,733</u>	<u>3,511</u>	<u>6,244</u>
AFS Financial investments				
Government debt securities	178,726	-	-	178,726
Other debt securities	874,300	-	-	874,300
	<u>1,053,026</u>	<u>2,733</u>	<u>3,511</u>	<u>1,059,270</u>
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	10,139	-	10,139
Forward foreign exchange contracts	-	3,090	-	3,090
Interest rate options	-	-	3,511	3,511
	<u>-</u>	<u>13,229</u>	<u>3,511</u>	<u>16,740</u>

There were no transfers between each level of the fair value hierarchy for financial assets and liabilities which were recorded at fair value during the financial year

Level 3 valuations

The interest rate options have matured during the year. The Bank no longer has any Level 3 valuations.

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial investments- available-for-sale

Available-for-sale financial assets are valued using quoted market prices or pricing models. These assets are valued using models incorporating data observable in the market.

SG Hambros Bank Limited

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For the year ended 31 December 2010

31. RISK MANAGEMENT

The Bank's financial instruments comprise cash, deposits, money market assets and liquid Fixed Income securities issued by Financial Institutions and Sovereign entities and derivatives. In the ordinary course of business customer deposits are invested in the Money and Fixed Income markets. The Bank's share capital is invested in government debt securities with maturities up to 10 years. The Bank is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk.

To mitigate these risks, the Bank enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts). The process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Group Risk function reports monthly to the Asset and Liability Committee (ALCO). Risk policies and limits are established, reviewed and approved by the ALCO to mitigate risk exposures. The Board has delegated the approval of the risk based policies to the ALCO. Adherence with these policies is monitored by the Board.

Market Risk

(a) Interest rate risk

The Bank deals in instruments offering both fixed and floating rates, and uses interest rate swaps to generate the desired interest profile and to manage the Bank's exposure to interest rate fluctuation. The Bank's policy is to enhance the return on financial instruments by controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Risk Management Department produces and circulates regular reports on interest rate risk exposures. Levels of risk are maintained within defined limits and are monitored daily. The ALCO considers all exposures on a monthly basis.

The Bank's policy to invest free capital is to purchase government debt securities of varying maturities up to ten years. At 31 December 2010 £134m (2009 £95m) of the Bank's free capital was invested in UK government debt securities with a weighted average duration of 4.2 years (2009 2.99 years).

Interest rate swaps may be used to hedge the interest rate exposure.

The sensitivity analysis below has been determined based on the Bank's asset and liabilities present in the balance sheet as at 31 December 2010 and by reference to a movement in market interest rates reasonably possible in the Bank's next financial reporting period.

If interest rates for the current year had been 50 basis points lower and this movement applied to the assets and liabilities as at balance sheet date, the pre-tax profit for the year ended 31 December 2010 would have been £0.7m higher (2009 £1.4m) which ultimately would result in higher retained earnings by the same amount. This would have mainly resulted from lower interest income on variable rate assets and lower financing costs in respect of its loans.

The inverse is equally true for the current year if interest rates had been 50 basis points higher.

SG Hambros Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's foreign exchange exposure arises from providing services to customers and from its investment in overseas subsidiary and associated undertakings. In the case of subsidiary undertakings, the Bank's policy is to hedge against these structural foreign exchange risks with currency borrowings, forward currency transactions or currency swaps. The Bank's Dollar investment in SG Hambros Bank & Trust (Bahamas) Ltd is hedged by an equivalent amount of approximately \$51m of Customer Deposits. The Risk Management Department produces and circulates regular reports on foreign currency exposures. Levels of risk are maintained within defined limits and are monitored daily. The ALCO considers all exposures on a monthly basis.

The table below shows the Bank's exposure to major currencies on its non-trading monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against Sterling, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	2010			2009		
	Change in Currency rate %	Effect on profit before tax £'000	Effect on equity £'000	Change in Currency rate %	Effect on profit before tax £'000	Effect on equity £'000
USD	+1	162	2	+1	6	(23)
EUR	+1	(155)	(16)	+1	47	36

Credit risk

Credit risk is the risk of loss due to a debtor's non-payment of a loan (principal, interest or both) or other line of credit. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from derivatives as well as settlement balances with market counterparties.

The Bank manages its counterparty credit risk, based on defined limits, to optimise the use of credit availability and to avoid excessive risk concentration. Credit risk is monitored by the Credit and Risk Management Departments and reported to the ALCO on a monthly basis. Reports to ALCO include information on large credit exposures, credit quality, asset allocation and country exposures, along with any provisioning levels.

The risk approval process is based on the following principles:

- all transactions involving counterparty risk must be pre-authorized,
- all limits must be agreed with the SG Group Credit risk departments, which review all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management, and
- all retail credits are categorised by reference to the underlying collateral in accordance with Basle II principles.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The table below outlines the credit risk exposure of the Bank's financial assets, net of depreciation and before any bilateral netting agreement and collateral, including revaluation differences on items hedged or listed at fair value on the balance sheet

	2010	2009
	£'000	£'000
Loans and advances to banks	61,920	84,242
Loan and advances to customers	508,684	339,382
Derivative financial instruments	4,104	6,244
Financial investment	791,082	1,149,745
Other assets	2,753	732
Exposure to balance sheet commitments	1,368,544	1,580,345
Loan commitments granted	186,894	174,969
Guarantee commitments granted	133,551	124,578
Exposure to off-balance sheet commitments	320,445	299,274
Total net exposure	1,690,989	1,879,619

Collateral and Security

The Bank routinely obtains collateral and security to mitigate credit risk. The Credit Department ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

As a matter of principle, any credit exposure granted by the Bank will be backed by collateral, preferably against financial assets, and meeting specific criteria that the potential loss for the Bank is minimal. Unsecured facilities (other than small temporary facilities) can be granted but on an exceptional basis.

On a daily basis, the Credit Department monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements. In addition, the department monitors the adequacy of allowances for impairment losses on a regular basis.

SG Hambros Bank Limited

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31. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

All loans and advances are categorised as 'Neither past due nor individually impaired', 'Past due but not individually impaired', or 'Individually impaired'

	Neither past due or individually impaired £'000	Past due but not individually impaired £'000	Individually impaired £'000	Total £'000	Impairment allowance £'000	Total carrying value £'000
2010						
Loans and advances to banks	61,920	-	-	61,920	-	61,920
Loans and advances to customers	504,688	1,344	4,154	510,186	1,502	508,684
2009						
Loans and advances to banks	84,242	-	-	84,242	-	84,242
Loans and advances to customers	335,366	624	4,177	340,167	785	339,382

Credit quality of loans and advances neither past due nor individually impaired

The Bank's Private Client loan book is generally perceived to be of high quality with 44.1% (2009 53.8%) secured against liquid collateral in the form of either cash, bank guarantees or well diversified investment portfolios, with a further 50.8% (2009 40.9%) being secured against real estate. The balance of the loan book is secured against non-diversified assets (2010 2.2%, 2009 1.1%), unsecured facilities (2010 2.0%, 2009 3.0%) and facilities in default account (2010 0.9%, 2009 1.2%). Unsecured facilities are attributable to short term overdrafts where substantial securities or cash are held by the Bank.

Loans and advances that are past due but not individually impaired

As at 31 December 2010, unimpaired past due loans accounted for 0.2% (2009 0.2%) of the on-balance sheet portfolio of performing loans.

The amounts presented in the table below include past due loans for technical reasons, with past due loans mainly belonging to the category "less than 29 days old". Loans past due for technical reasons are loans that are classified as past due with a delay between the accounting in the customer account and payment value date.

Total unimpaired past due loans declared are all inclusive of outstanding balance, interests and past due amounts. These outstanding loans are monitored as soon as first payment is missed.

SG Hambros Bank Limited

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For the year ended 31 December 2010

31. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Once an instalment has been past due for 90 days, or 180 days for mortgage backed loans, the counterparty is deemed to be in default

	2010 £'000	% of Gross outstanding loan	2009 £'000	% of Gross outstanding loan
Gross outstanding loans				
Past due amounts less than 90 days	-	-	624	0.2
Past due amounts greater than 1 year	1,344	0.2	-	-
	<u>1,344</u>	<u>0.2</u>	<u>624</u>	<u>0.2</u>

Loans and advances that are past due and individually impaired

An analysis of financial assets individually assessed as impaired is as follows

	Original carrying amount £'000	2010 Impairment allowance £'000	Revised carrying amount £'000	Original carrying amount £'000	2009 Impairment allowance £'000	Revised carrying amount £'000
Loans and advances to customers	4,154	1,502	2,652	4,177	785	3,392

The loans and advances to customers that are reported past due and impaired were unsecured

Debt securities

The available for sale assets are measured on a fair value basis. The fair value will reflect, among other things, the credit risk of the issuer.

All the debt securities are listed and rated by external rating agencies.

Derivatives

Derivatives are measured on a fair value basis. The majority of the Bank's derivatives are transacted with our parent group, which has a A+ rating.

Derivative transacted with clients are frequently secured against cash deposits.

SG Hambros Bank Limited

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31. RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet commitments

The Bank monitors expected cash flows for the following 8 and 30 days. The policy throughout has been at all times to maintain sufficient high quality liquid assets to cover the expected net cash outflow and to comfortably exceed the limits for the 0 to 8 and 0 to 30 day periods. The results are produced and circulated by the Risk Management Department on a daily basis.

In addition, the Bank models a number of liquidity stress scenarios, in line with the FSA's liquidity regime. These scenarios model cash flows under Idiosyncratic, Systemic and Combined stress events, the effects of which are mitigated by estimations of the liquidity provided by the Bank's debt securities. These estimations are determined by the credit quality (independent credit rating) and maturity of the security, as well as their eligibility in the Bank's Liquid Asset Buffer, as defined by the FSA. The Bank's policy is that the bank must be able to maintain a net positive cumulative cash flow throughout three months of stress.

Finally, Reverse Stress Testing is conducted, under which the Bank tests its sensitivity to an outflow of deposits and a write-down of its investment portfolio.

Stress Testing and Reverse Stress Testing is carried on a weekly basis (or more frequently if necessary), with the results circulated to the ALCO on a weekly basis and regularly monitored by the Board of Directors.

The customer deposit base represents a stable source of funding due to the number and diversity of depositors.

The Bank also maintains agreed lines of credit with SG Group companies.

The table below analysed the Bank's financial liabilities by their remaining contractual maturities.

2010	Carrying amount £'000	Less than 3 months £'000	3 to 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Liabilities						
Deposits by banks	308,907	293,907	15,000	-	-	-
Derivative financial instruments	9,870	744	86	8,594	422	94
Customer accounts	914,537	830,941	14,943	29,839	34,326	4,488
Other liabilities	23,119	23,119	-	-	-	-
Total	1,256,433	1,148,711	30,029	38,433	34,748	4,582
2009						
Liabilities						
Deposits by banks	423,711	400,523	-	23,188	-	-
Derivative financial instruments	16,740	(3,194)	(239)	6,947	4,796	31
Customer accounts	1,007,214	953,221	9,997	10,241	33,755	-
Other liabilities	19,665	19,665	-	-	-	-
Total	1,467,330	1,370,215	9,758	40,376	38,551	31

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31. RISK MANAGEMENT (CONTINUED)

Operational risk

Procedures and controls to manage operational risk are codified in manuals, with Key Risk Indicators being assigned to departments for completion on a monthly basis. Breaches are reported to management and all losses exceeding a minimum level are recorded by the Group Risk Department. Losses or control failures above a certain level, or of a repetitive or serious nature, are reported to the Board of Directors who has executive responsibility for risk. An annual Risk Control Self Assessment is conducted across selected departments by the Operational Risk Management department. The results are reviewed by management and the Board,

Capital management

The primary objective of the Bank's capital management policy is to ensure that the Bank complies with externally imposed capital requirements and the Bank maintains healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank actively manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. Following the revised Individual Capital Adequacy Assessment Process (ICAAP), there were enhancements in the objectives, policies and processes from previous years.

The Bank's capital is monitored at SG Hambros Group level using the supervisory requirements set by the Financial Services Authority (FSA). The FSA issues individual capital guidance (ICG) based on the review on the Bank's capital planning model as evidenced under the ICAAP. Under the ICG currently in place the Bank's regulatory capital exceeds its capital resource requirements. The ICAAP is reviewed annually by the Bank and by exception when necessary.

The Bank's regulatory capital resources at 31 December in accordance with Financial Services Authority (FSA) definitions were as follows:

	2010 £'000	2009 £'000
Risk weighted assets		
Tier 1 capital ratio	10.13%	24.86%

Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. It is composed of core capital, which consists primarily of common stock and disclosed reserves (or retained earnings).

32. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

The aggregate amounts outstanding under transactions, arrangements and agreements entered into by the Bank with directors and officers were:

	Number of Persons	2010 Amount £'000	Number of Persons	2009 Amount £'000
Directors' loans	3	1,313	2	938

No other loans, arrangements or agreements require disclosure under the Companies Act 2006 or under the requirements of Financial Reporting Standard No. 8 regarding transactions with related parties.

As the Bank is a 100% subsidiary undertaking and consolidated financial statements for its ultimate parent, Société Générale SA, are publicly available, group transactions have not been disclosed pursuant to the exemptions permitted in the Financial Reporting Standards number 8.

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33. ULTIMATE PARENT COMPANY

SG Hambros Limited is the direct holding company of the Bank. The ultimate parent undertaking and controlling party is Société Générale SA which is incorporated in France.

The largest and smallest group in which the results of the Bank are consolidated is Société Générale SA. The consolidated financial statements of the group are available from the Company Secretary, Société Générale, 29 Boulevard Haussmann, 75009 Paris, France.

34. POST BALANCE-SHEET EVENTS

In February 2011 the Bank announced an agreement to acquire the private client investment management business of Baring Asset Management Limited, the agreement is expected to be effective in May 2011.

As part of the Bank's continual monitoring of counterparty risk in the ALCO and following a marked deterioration in market value, a decision was made on 30th March 2011 to make an impairment provision of US\$ 3,144,060 relating to debt securities (nominal US\$ 9,000,000) held by the Bank in the Available for Sale portfolio.

35. PRIOR YEAR ADJUSTMENTS

In 2009 the Bank adopted FRS 23 'The effects of changes in foreign exchange rates', FRS 26 'Financial Instruments Recognition and Measurement' and FRS 29 'Financial Instruments Disclosures' as the directors considered that these accounting policies provided a fairer presentation of the result and of the financial position of the Bank.