

At the hearing on 3rd March with UKFI the Committee requested information regarding remuneration at RBS, Bradford & Bingley, Northern Rock and Lloyds Banking Group. The responses from those banks are set out below:

Letter from RBS to the Chairman of the Committee

I write further to the request made at the Treasury Select Committee on 3 March 2009 for information about employee remuneration and the geographical distribution of assets, liabilities and investments at RBS. United Kingdom Financial Investments Limited have asked us to respond to you directly on these matters.

We are, as you know, prioritising moves to make greater openness and transparency a hallmark of the way RBS now operates. The Company made significant progress at our annual results announcement in February in substantially increasing the level of transparency in our financial disclosures. And on strategy and governance. This included the most radical change to remuneration policies ever undertaken by a UK financial institution.

At the same time, we have to strike a balance between transparency and accountability and the long-term commercial interests of our Company and therefore all of our shareholders. Our mission at RBS is to return the Group to standalone strength so that we are in a position to repay the Government's support. To do this we need to ensure that we operate independently and remain focused on our competitive position. From time to time we will be asked for information that is either commercially confidential in nature or at least would disadvantage our competitive position were it revealed. In these cases the Board needs to be sure that the case for additional disclosure is compelling.

The Board must also be mindful of the need to comply with the requirements placed on us as a company listed on the London Stock Exchange, including the Combined Code on Corporate Governance, as well as the Companies Act requirements regarding Directors' Remuneration Report disclosure. These were put in place to ensure that shareholders have the detailed information they need to understand, among other matters, the reward structures that apply to any company and the level of reward received by individuals at main Board level under those structures.

The Committee raised three specific questions in relation to Government investee banks, including RBS. In the answers below I have cross-referenced the very detailed disclosures contained in our Annual Report and Accounts and those of our subsidiaries, as these are the most important source of information that we produce for all of our shareholders.

With respect to the question of bonuses the Group made no payment of any discretionary cash bonus to any member of staff for performance in 2008. This was a key part of the comprehensive announcement on compensation policies released on 17 February 2009. The Board set out its

thinking on this matter in an open letter to shareholders from the Chairman of the Remuneration Committee in our Annual Report and Accounts (p 159 attached).

With respect to more detailed information on the number of staff earning over £100,000 per annum we would make the following points. The disclosures provided in our Directors' Remuneration Report and notes to the Accounts, already go beyond statutory and regulatory requirements to provide additional insight into the approach that has been adopted, In particular we would draw your attention to the information provided on Directors' Remuneration (p160 attached), total staff costs (p 174, p 190); and Directors' and key management remuneration (p264).

We do not disclose at the level of detail being requested in your letter as we regard this information as commercially sensitive and not currently available from our competitors. We hope that you will agree with us that going further would carry risks to our commercial position.

There is another delicate balance to be struck on this issue and that is between transparency and stimulating further public debate about our employees' remuneration. The Board's judgement on this specific issue is that further detailed disclosure, with the inevitable media commentary that would result, would have an adverse affect on the ability to attract, retain and motivate employees on whom we rely to serve our customers well and return RBS to standalone financial strength.

The Committee also asked about our overseas assets and liabilities. The Group's Annual Report and Accounts for 2008 were published recently and contain comprehensive disclosures relating to the Group's finances. I have attached (p263) a geographic breakdown the Group's assets and liabilities. In addition to this I attach the 2008 Report and Accounts of our RBS International division which we think represents the main area of interest to the Committee. These were only published in the past week, hence our delay in responding to your request. I can forward the separately tiled accounts of Ulster Bank Group and Citizens Financial Group if that would be of assistance. I also attach a full list of our subsidiaries from the Annual Return which was tiled at Companies House on 20 February 2009. This comprised a copy of the Group Hierarchy (for companies over 50% owned by the Group) and a separate list of companies where ownership is between 20% and 50%.

We hope that this information gives you the insights you are seeking. We hope you are also in agreement with us about the basis on which we should report information about the Group, as a commercial entity, and that this should be on the same basis as our competitors.

Letter from Bradford & Bingley to the Chairman of the Committee

I understand from the Resolution Team at HM Treasury that the Treasury Select Committee has requested detailed information in respect of Government investee banks.

Details of director remuneration will be included in our annual report and HM Treasury have advised they will forward this to you when it is published later this month. In the meantime I can confirm that I am the only current director who received a 2008 bonus. The amount of £139,000 was paid in January 2009 and formed part of my contractual entitlement when joining Bradford & Bingley in August 2008, as I explained to your Committee in November. However, as you may have seen, in February 2009 I announced changes to my contract and with effect from 1 April this year my basic salary will decrease by £400,000 to £350,000, my guaranteed bonus will decrease from £187,000 to zero, I will not be participating in any future bonus scheme, and my notice period will reduce from a minimum two year period to a period of just one day.

Below board level we currently have 23 employees on salaries above £100,000 of whom around 10 are expected to leave in 2009 on redundancy terms and no individual received a bonus over £100,000 for their 2008 bonus year.

To answer the Committee's question regarding what assets, investments and liabilities we have in UK dependent territories, UK overseas territories and overseas would involve undertaking rather complex analysis which will incur additional expense. For example, would we include Euro denominated debt held by UK investors, or securitisation vehicles using Jersey-based trust structures but where the assets and investors are in Britain? Before we could commence any analysis we would need a clear set of definitions and budgetary provision.

Letter from Northern Rock to the Chairman of the Committee

Having considered the matter in conjunction with the Chairman, I am writing to advise you that the Company does not wish to disclose any additional information of the nature specified in your letter, beyond that currently in the public domain.

I am therefore content for you to submit to the Treasury Select Committee the Company's Annual Report and Accounts for 2008, which does, of course, include the Directors Remuneration Report.

The document may be viewed via the Company's website www.northernrock.co.uk, by following the "Company Information" link, although I am enclosing two printed copies for your use.

Lloyds Banking Group

Lloyds Banking Group submitted commercially confidential evidence to the Committee fully answering its questions which the Committee has chosen not to publish.