

RBS posts promising results despite shortcomings

Yesterday, Stephen Hester, CEO of RBS, Britain's biggest part-state-owned bank, announced it had made a net loss of £3.6bn, down from £24.3bn in 2008.

The results showed it outperformed fourth quarter predictions, news that sent the share price up more than 6% to 38.38p, despite the fact that three of RBS's divisions suffered losses in the last quarter.

The US retail banking operations trimmed losses to

£19m, Ulster Bank recorded a loss of £275mn and the insurance business, best known for Direct Line, suffered a £170m loss.

Hester was keen to focus on a recovery at its core business, where a strong investment-banking performance drove profits up 90% to £8.3bn and revenue a third higher. Even so, the bank was unable to shake off criticism over a bonus pool of £1.3bn - about £76,500 for each of its 17,000 investment-

banking staff.

RBS has failed to live up to its promise to supply the UK economy with credit and meet government-set targets for lending to businesses. RBS lent £60bn to businesses last year but said its clients paid back £12bn more than they borrowed.

The Treasury has admitted it didn't expect businesses to repay loans, and will not set limits this year.

Folarin Araromi



Stephen Hester

Fed Probes Goldman Role in Greek Fiasco

Bradley Wright

The Federal Reserve chairman, Ben Bernanke, revealed Thursday that the US central bank is investigating Goldman Sachs's role in arranging contentious derivative trades for Greece.

Bernanke stated 'we are looking into a number of questions relating to Goldman ... and their derivative arrangements with Greece'. The derivative contracts concerned relate to currency transactions used at the time to help 'massage' Greece's fiscal deficit so as to gain easier euro zone accession.

Goldman responded to the European investigations stating that the currency swaps played a 'minimal role' in Greece's financial crisis and that they followed European regulations.

Bernanke, testifying in front of congress, also stated the Securities and Exchange Commission was investigating abuses of derivative and credit default swap (CDS) contracts that have led to 'destabilising effects', namely the Greek public debt fiasco.

CDS contracts are used as an insurance policy against default, however Bernanke stated that using 'these instruments to intentionally destabilise a country or company is counter productive'. These calls were echoed by German Chancellor Angela Merkel's political party stating the G20 were looking into an outright ban on speculative CDS trading.

On news of the investigation, Goldman (NYSE:GS) shares fell \$2.32 or 1.5% to \$156.01.

Markets

The FTSE100 was up 52.82 (1.00%) on Friday at 3pm (GMT) with an Index value of 5331.04.

The Dow was up also up 4.46 (0.04%) on Friday, 3pm (GMT) with an Index value of 10,325.49. The DJ Euro Stoxx was also up at 2,704.94. A daily increase of 20.52 (0.76%).

The NASDAQ Composite had an Index value of 2,239.30 at 3pm, Friday. This was a daily change of 0.23%, up 5.08 points.

Winners & Losers

Company	Price	Change
Serco	553.50p	6.14%
Aviva	390.30p	4.64%
Old Mutual	113.40p	3.75%
Rolls-Royce Group	558.00p	3.62%
British Land	440.00p	1.03%
Royal Bank of Scotland	37.67p	1.85%
BT Group	114.90p	2.21%
Lloyd's	52.50p	4.37%

Company Profile

Pearl Boateng

Name: Thomson Reuters Corp

Share price: \$34.70(US)

Today's change: +0.19, 0.55%

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King Warns of Further QE

Jordan Hinze

Mervyn King, BoE governor, has warned that the UK may have to restart its quantitative easing program in the coming months if the economy gets worse.

The program was halted at the beginning of the month after a unanimous decision to freeze QE. The weakening of the euro zone, a major trading partner of the UK's, may lead the bank to reactivate it.

"My particular concern at the moment derives from the health of the global economy, and in particular our major trading partner, the euro zone," the governor said.

Most of the zone's 16 member states crawled out of recession last summer but recent data shows that countries such as Germany and Spain remain weak whilst Greece continues its battle with sovereign debt

defaults.

King is pessimistic in his view about a global recovery and emphasized the fact that the UK had "embarked on a process of healing," which would take time. He went on to say that the bank will do "whatever seems appropriate" to prevent a relapse in the UK's economic recovery. The monetary policy committee is ready to extend the £200bn asset purchase program if need be. After this announcement the pound dropped to a nine month low against the dollar from \$1.5539 to \$1.5413. The bank's base rate remains at its historic low of 0.5%.

As of now it seems that time would be the bank's deciding factor of whether or not to restart the program. If the recovery was to deteriorate, the bank may not have a choice in order to avoid another recession.

Strictly Bites

Sunny Shah

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Lloyds Banking Group on Friday reported a £6.3bn underlying pre-tax loss for 2009, a slight improvement on the £6.7bn deficit recorded a year earlier.

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The Office for National Statistics updated its figure for output in the final quarter of '09 to 0.3%, not the 0.1% reported in the preliminary estimate, mainly driven by the services sector.

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UK house prices fell by 1.0% month on month in February, halting a nine month streak of steady rises and raising questions once again about the stability of the market.

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Bourses in Europe and Asia regained their composure at the end of a volatile week as positive economic data out of Japan and a rebound overnight on Wall Street calmed nerves.

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Talks have collapsed between Britain, the Netherlands and Iceland about repayment of £3.4bn (€3.8bn) lost by depositors in the failed online bank Icesave, raising fears that the country will fail to meet its obligations.

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Sterling dropped to a nine-month low against the dollar and even lost ground against the euro after figures showed business investment had fallen far more than expected in the final quarter '09

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CEO's at Lloyd's and RBS have both waived bonuses, although both have multi million pound performance related incentives.

India on Friday left fiscal stimulus measures firmly in place as it released its budget in a bid to propel itself to 10% economic growth.