

TANG FOUNDATION FOR RESEACH OF TRADITIONAL CHINESE MEDICINE
Form SC 13D/A
September 20, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 13D

**Under the Securities Exchange Act of 1934
(Amendment No. 5)***

SIGMATRON INTERNATIONAL, INC.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

82661L101

(CUSIP Number)

Arthur Don

Greenberg Traurig, LLP

77 West Wacker Drive, Suite 3100

Chicago, IL 60601

(312) 456-8400

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

July 16, 2010

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), Rule 13d-1(f) or Rule 13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

PERSONS WHO RESPOND TO THE COLLECTION OF INFORMATION CONTAINED IN THIS FORM ARE NOT REQUIRED TO RESPOND UNLESS THE FORM DISPLAYS A CURRENTLY VALID OMB CONTROL NUMBER.

CUSIP No. 82661L101

1. NAMES OF REPORTING PERSONS.
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

TANG FOUNDATION FOR THE RESEARCH OF TRADITIONAL CHINESE MEDICINE

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2. (a) p
(b) o

SEC USE ONLY

3.

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4.

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS
2(d) OR 2(e)

5.

o

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

NEVADA

SOLE VOTING POWER

7.

NUMBER OF 223,430

SHARED VOTING POWER

8. BENEFICIALLY OWNED BY

0

SOLE DISPOSITIVE POWER

9. EACH REPORTING

PERSON 223,430

WITH SHARED DISPOSITIVE POWER

10.

0

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11.

223,430

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12.

p*

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.

5.8%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14.

00

* Excludes certain shares held by other entities over which Cyrus Tang, who has effective control of the Tang Foundation for the Research of Traditional Chinese Medicine, has current voting and dispositive power.

CUSIP No. 82661L101

1. NAMES OF REPORTING PERSONS.
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

CYRUS TANG FOUNDATION

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2. (a)
(b)

SEC USE ONLY

3.

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4.

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS
2(d) OR 2(e)

5.

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

NEVADA

SOLE VOTING POWER

7.

NUMBER OF 356,440

SHARED VOTING POWER

8. BENEFICIALLY OWNED BY

0

SOLE DISPOSITIVE POWER

9. EACH REPORTING

PERSON 356,440

WITH SHARED DISPOSITIVE POWER

10.

0

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11.

356,440

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12.

p**

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.

9.3%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14.

00

** Excludes certain shares held by other entities over which Cyrus Tang, who has effective control of Cyrus Tang Foundation, has current voting and dispositive power.

CUSIP No. 82661L101

1. NAMES OF REPORTING PERSONS.
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

CYRUS TANG

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2. (a) p
(b) o

SEC USE ONLY

3.

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4.

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS
2(d) OR 2(e)

5.

o

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

NEVADA

SOLE VOTING POWER

7.

NUMBER OF 356,440

SHARED VOTING POWER

8. SHARES BENEFICIALLY OWNED BY

0

SOLE DISPOSITIVE POWER

9. EACH REPORTING

PERSON 356,440

WITH SHARED DISPOSITIVE POWER

10.

0

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11.

356,440

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12.

p***

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.

9.3%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14.

In

*** Does not include any shares held by the Tang Foundation for the Research of Traditional Chinese Medicine. Pursuant to Rule 13d-4 under the Act, Cyrus Tang disclaims beneficial ownership of any and all shares held by the Tang Foundation for the Research of Traditional Chinese Medicine. However, for so long as he shall live, Cyrus Tang effectively has the power to vote and dispose of the shares held by that foundation.

ITEM 1. SECURITY AND ISSUER.

This Amendment to this statement on Schedule 13D (this Schedule 13D) relates to the common stock, par value \$0.01 per share (the Common Stock) of SigmaTron International, Inc., a Delaware corporation (the Issuer). The principal executive office of the Issuer is located at 2201 Landmeier Road, Elk Grove Village, IL 60007.

ITEM 2. IDENTITY AND BACKGROUND.

(a) - (c) This Schedule 13D is being filed by a group consisting of the following:

- (i) Tang Foundation for the Research of Traditional Chinese Medicine (the Research Foundation);
- (ii) Cyrus Tang Foundation (the Tang Foundation); and
- (iii) Cyrus Tang, an individual.

The above are collectively referred to as the Reporting Persons .

Mr. Tang s present principal occupation is President of Tang Industries, Inc., a holding company which owns, among other businesses, National Material L.P., GF Furniture, L.P. and Curatek Pharmaceuticals, L.P. Mr. Tang s business address is 8960 Spanish Ridge Avenue, Las Vegas, NV 89148.

The Research Foundation is a charitable foundation formed under the laws of Nevada for the principal purpose of identifying and analyzing traditional Chinese medicine, and establishing and equipping a medical institute. The Research Foundation s principal address is 8960 Spanish Ridge Avenue, Las Vegas, NV 89148. The Research Foundation is run by a board of directors. The name, address and present principal occupation of each of the directors of the Research Foundation are set forth in Appendix A attached hereto. Cyrus Tang is a member of the Research Foundation s board of directors as well as the sole life member of the Research Foundation. As the sole life member of the Research Foundation, Cyrus Tang has the sole authority, for as long as he shall live, to appoint, dismiss and replace the members of the board of directors in his sole discretion. Cyrus Tang has effective control over the board of directors of the Research Foundation.

The Tang Foundation is a charitable foundation formed under the laws of Nevada for the principal purpose of promoting education in the United States and China. The Tang Foundation has established numerous scholarships in the United States and China has built over one hundred primary schools in China, and continues to build additional schools. The Tang Foundation s principal address is 8960 Spanish Ridge Avenue, Las Vegas, NV 89148. The Tang Foundation is run by a board of directors. The name, address and present principal occupation of each of the directors of the Tang Foundation are set forth in Appendix B attached hereto. Cyrus Tang is a member of the Tang Foundation s board of directors as well as the sole life member of the Tang Foundation. As the sole life member of the Tang Foundation, Cyrus Tang has the sole authority, for as long as he shall live, to appoint, dismiss and replace the members of the board of directors in his sole discretion. Cyrus Tang has effective control over the board of directors of the Tang Foundation.

- (d) During the last five years, none of Cyrus Tang nor, to the best of the Research Foundation s knowledge, any of the directors of the Research Foundation, nor, to the Tang Foundation s knowledge, any of the directors of the Tang Foundation, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) During the last five years, none of Cyrus Tang nor, to the best of the Research Foundation s knowledge, any of the directors of the Research Foundation, nor, to the Tang Foundation s knowledge, any of the directors of the Tang Foundation, has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding is or was subject to a

judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

- (f) Cyrus Tang is a citizen of the United States. Each director of the Research Foundation and each director of the Tang Foundation is a citizen of the United States.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

N/A

ITEM 4. PURPOSE OF TRANSACTION.

N/A

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

- (a) The Research Foundation holds 223,430 shares of Common Stock of the Issuer, which represents approximately 5.8% of the 3,823,056 shares of Common Stock outstanding as reported by the Issuer in its most recent proxy statement on Schedule 14A.

The Tang Foundation holds 356,440 shares of Common Stock of the Issuer, which represents approximately 9.3% of the 3,823,056 shares of Common Stock outstanding as reported by the Issuer in its most recent proxy statement on Schedule 14A.

Cyrus Tang does not hold any shares of the Common Stock of the Issuer in his individual capacity.

In the aggregate, the Reporting Persons hold 579,870 shares of the Common Stock of the Issuer, which represents approximately 15.2% of the 3,823,056 shares of Common Stock outstanding as reported by the Issuer in its most recent proxy statement on Schedule 14A.

- (b) As described in Item 6 below, as of the date of this filing, Cyrus Tang effectively has the sole power to vote or to direct the vote, as well as the sole power to dispose or to direct the disposition of, 579,870 shares of the Common Stock of the Issuer.
- (c) During the from July 16, 2010 through July 30, 2010, each of the Research Foundation and the Tang Foundation sold 28,669 shares of the Issuer's Common Stock. In each case, such shares represent approximately 0.75% of the 3,823,056 shares of Common Stock outstanding as reported by the Issuer in its most recent proxy statement on Schedule 14A, or 1.5% of such shares in the aggregate. Such transactions were effected by each of the Research Foundation and the Tang Foundation through market transactions effected by the Reporting Persons' unaffiliated broker-dealer, Goldman Sachs. The Reporting Persons each filed multiple Statements of Changes in Beneficial Ownership on Form 4, the contents of which detail the price per share at which such transactions were effected.

This Amendment No. 5 to Schedule 13D is being filed with respect to the disposition of such shares referenced in the preceding paragraph by the Research Foundation and the Tang Foundation. As the Reporting Persons meet the definition of a group for purposes of Section 13(d) of the Act, this Schedule 13D has been filed by the Reporting Persons.

- (d) None.
- (e) N/A.
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ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Although the Research Foundation and the Tang Foundation are managed by boards of directors, pursuant to the charters of the Research Foundation and the Tang Foundation, Cyrus Tang, as the sole life member of each of the Research Foundation and the Tang Foundation, has the ability to terminate and replace the board members of the Research Foundation and the Tang Foundation in his sole discretion. Therefore, Cyrus Tang effectively controls the decisions of both boards on all Research Foundation and Tang Foundation matters, including decisions relating to the shares of the Common Stock of the Issuer held by the Research Foundation and the Tang Foundation, respectively.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

None.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Schedule 13D is true, complete and correct.

Date: September 20, 2010

CYRUS TANG

/s/ Cyrus Tang
Cyrus Tang, an individual

**TANG FOUNDATION FOR THE
RESEARCH OF TRADITIONAL
CHINESE MEDICINE**

/s/ Vytas Ambutas
Vytas Ambutas, Assistant Secretary

CYRUS TANG FOUNDATION

/s/ Vytas Ambutas
Vytas Ambutas, Assistant Secretary

**ATTENTION: INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT CONSTITUTE FEDERAL
CRIMINAL VIOLATIONS. (SEE 18 U.S.C. 1001).**

APPENDIX A
DIRECTORS OF THE TANG FOUNDATION FOR
THE RESEARCH OF TRADITIONAL CHINESE MEDICINE

- | | | |
|-----------------|--|---|
| 1. Cyrus Tang | 8960 Spanish Ridge Avenue
Las Vegas, NV 89148 | Director, President
of Tang Industries, Inc. |
| 2. Michael Tang | 8960 Spanish Ridge Avenue
Las Vegas, NV 89148 | Director, Vice Chairman of
National Material L.P.,
Cyrus Tang's son |
| 3. Stella Liang | 8960 Spanish Ridge Avenue
Las Vegas, NV 89148 | Director and employee of Tang
Industries, Inc. |
-

APPENDIX B
DIRECTORS OF THE CYRUS TANG FOUNDATION

1. Cyrus Tang	8960 Spanish Ridge Avenue Las Vegas, NV 89148	Director, President of Tang Industries, Inc.
2. Michael Tang	8960 Spanish Ridge Avenue Las Vegas, NV 89148	Director, Vice Chairman of National Material L.P., Cyrus Tang's son
3. Stella Liang	8960 Spanish Ridge Avenue Las Vegas, NV 89148	Director and employee of Tang Industries, Inc.

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Loans and advances to customers

– UK

319,696 19,046 5.96 268,911 18,506 6.88

– Overseas

393,405 22,766 5.79 175,301 10,062 5.74

Debt securities

– UK

33,206 1,276 3.84 10,883 600 5.51

– Overseas

85,625 4,078 4.76 31,792 1,514 4.76

Total interest-earning assets

– banking business (2, 3)

882,359 49,522 5.61 520,674 32,252 6.19

– trading business (4)

425,454 313,110

Total interest-earning assets

1,307,813 833,784

Non-interest-earning assets (2, 3)

732,872 289,188

Total assets

2,040,685 1,122,972

Percentage of assets applicable to overseas operations

48.6% 38.0%

Liabilities and owners' equity

Deposits by banks

– UK

46,217 1,804 3.90 52,951 2,234 4.22

– Overseas

113,592 4,772 4.20 31,073 1,172 3.77
Customer accounts: demand deposits

– UK
99,852 2,829 2.83 93,764 3,296 3.52

– Overseas
70,399 1,512 2.15 30,739 1,031 3.35

Customer accounts: savings deposits

– UK
42,870 1,708 3.98 36,334 1,658 4.56

– Overseas
72,473 2,203 3.04 27,645 902 3.26

Customer accounts: other time deposits

– UK
94,365 4,011 4.25 88,089 4,201 4.77

– Overseas
105,660 4,097 3.88 43,141 2,100 4.87

Debt securities in issue

– UK
101,520 4,095 4.03 57,140 3,060 5.36

– Overseas
132,699 5,846 4.41 49,848 2,627 5.27

Subordinated liabilities

– UK
26,300 1,356 5.16 23,502 1,300 5.53

– Overseas
12,385 788 6.36 4,509 230 5.10

Internal funding of trading business

– UK
(85,664) (3,445) 4.02 (68,395) (3,307) 4.84

– Overseas
(18,090) (729) 4.03 (7,454) (321) 4.31

Total interest-bearing liabilities

– banking business (2, 3)
814,578 30,847 3.79 462,886 20,183 4.36

– trading business (4)
466,610 316,453

Total interest-bearing liabilities

1,281,188 779,339

Non-interest-bearing liabilities:

Demand deposits

– UK
45,472 18,416

– Overseas		
9,721	14,455	
Other liabilities (3, 4)		
645,760	267,403	
Owners' equity		
58,544	43,359	
Total liabilities and owners' equity		
2,040,685	1,122,972	
Percentage of liabilities applicable to overseas operations		
46.8%	35.9%	

Notes:

- (1) The analysis into UK and Overseas has been compiled on the basis of location of office.
- (2) Interest-earning assets and interest-bearing liabilities include the Retail bancassurance assets and liabilities attributable to policyholders.
- (3) Interest income and interest expense do not include interest on financial assets and liabilities designated as at fair value through profit or loss.
- (4) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.

The 2007 comparative amounts have been restated for the netting of certain derivative asset and derivative liability balances with the London Clearing House, the finalisation of the ABN AMRO acquisition accounting and for the classification of Banco Real as a discontinued operation.

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Business review continued

Average balance sheet and related interest

	2006 - Restated		
	Average balance £m	Interest £m	Rate %
Assets			
Loans and advances to banks			
– UK	15,934	681	4.27
– Overseas	7,237	237	3.27
Loans and advances to customers			
– UK	239,086	15,141	6.33
– Overseas	121,092	6,977	5.76
Debt securities			
– UK	12,816	598	4.67
– Overseas	22,032	1,054	4.78
Total interest-earning assets			
– banking business (2, 3)	418,197	24,688	5.90
– trading business (4)	202,408		
Total interest-earning assets	620,605		
Non-interest-earning assets (2, 3)	199,898		
Total assets	820,503		
Percentage of assets applicable to overseas operations	35.2%		
Liabilities and owners' equity			
Deposits by banks			
– UK	35,985	1,393	3.87
– Overseas	28,772	1,228	4.27
Customer accounts: demand deposits			
– UK	86,207	2,428	2.82
– Overseas	13,113	441	3.36
Customer accounts: savings deposits			
– UK	30,933	1,058	3.42
– Overseas	19,766	529	2.68
Customer accounts: other time deposits			
– UK	67,126	2,807	4.18
– Overseas	36,177	1,636	4.52
Debt securities in issue			
– UK	45,829	2,210	4.82
– Overseas	25,249	1,076	4.26
Subordinated liabilities			
– UK	23,873	1,226	5.14
– Overseas	2,639	160	6.06
Internal funding of trading business			
– UK	(44,475)	(1,893)	4.26
– Overseas	(4,930)	(207)	4.20
Total interest-bearing liabilities			
– banking business (2, 3)	366,264	14,092	3.85

– trading business (4)	204,810
Total interest-bearing liabilities	571,074
Non-interest-bearing liabilities:	
Demand deposits	
– UK	17,909
– Overseas	11,668
Other liabilities (3, 4)	182,976
Owners' equity	36,876
Total liabilities and owners' equity	820,503
Percentage of liabilities applicable to overseas operations	32.3%

Notes:

- (1) The analysis into UK and Overseas has been compiled on the basis of location of office.
- (2) Interest-earning assets and interest-bearing liabilities include the Retail bancassurance assets and liabilities attributable to policyholders.
- (3) Interest income and interest expense do not include interest on financial assets and liabilities designated as at fair value through profit or loss.
- (4) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.

The 2006 comparative amounts have been restated for the netting of certain derivative asset and derivative liability balances with the London Clearing House.

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Business review continued

Analysis of change in net interest income – volume and rate analysis

Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Changes due to a combination of volume and rate are allocated pro rata to volume and rate movements.

	2008 over 2007 (restated)			2007 (restated) over 2006 (restated)		
	Increase/(decrease) due to changes in:			Increase/(decrease) due to changes in:		
	Average volume £m	Average rate £m	Net change £m	Average volume £m	Average rate £m	Net change £m
Interest-earning assets						
Loans and advances to banks						
UK	(103)	18	(85)	243	100	343
Overseas	845	26	871	217	92	309
Loans and advances to customers						
UK	3,221	(2,681)	540	1,985	1,380	3,365
Overseas	12,621	83	12,704	3,112	(27)	3,085
Debt securities						
UK	906	(230)	676	(98)	100	2
Overseas	2,564	-	2,564	465	(5)	460
Total interest receivable of the banking business						
UK	4,024	(2,893)	1,131	2,130	1,580	3,710
Overseas	16,030	109	16,139	3,794	60	3,854
	20,054	(2,784)	17,270	5,924	1,640	7,564
Interest-bearing liabilities						
Deposits by banks						
UK	271	159	430	(706)	(135)	(841)
Overseas	(3,452)	(148)	(3,600)	(94)	150	56
Customer accounts: demand deposits						
UK	(204)	671	467	(227)	(641)	(868)
Overseas	(956)	475	(481)	(591)	1	(590)
Customer accounts: savings deposits						
UK	(276)	226	(50)	(206)	(394)	(600)
Overseas	(1,367)	66	(1,301)	(241)	(132)	(373)
Customer accounts: other time deposits						
UK	(286)	476	190	(962)	(432)	(1,394)
Overseas	(2,500)	503	(1,997)	(332)	(132)	(464)
Debt securities in issue						
UK	(1,932)	897	(1,035)	(587)	(263)	(850)
Overseas	(3,714)	495	(3,219)	(1,248)	(303)	(1,551)
Subordinated liabilities						
UK	(148)	92	(56)	19	(93)	(74)
Overseas	(489)	(69)	(558)	(99)	29	(70)
Internal funding of trading business						

UK	751	(613)	138	1,129	285	1,414
Overseas	430	(22)	408	109	5	114
Total interest payable of the banking business						
UK	(1,824)	1,908	84	(1,540)	(1,673)	(3,213)
Overseas	(12,048)	1,300	(10,748)	(2,496)	(382)	(2,878)
	(13,872)	3,208	(10,664)	(4,036)	(2,055)	(6,091)
Movement in net interest income						
UK	2,200	(985)	1,215	590	(93)	497
Overseas	3,982	1,409	5,391	1,298	(322)	976
	6,182	424	6,606	1,888	(415)	1,473

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Business review continued

Non-interest income

	2008	2007	2006
	£m	£m	£m
Fees and commissions receivable	9,831	8,278	7,116
Fees and commissions payable	(2,386)	(2,193)	(1,922)
(Loss)/income from trading activities	(8,477)	1,292	2,675
Other operating income (excluding insurance net premium income)	1,899	4,833	3,564
	867	12,210	11,433
Insurance premium income	6,626	6,376	6,243
Reinsurers' share	(300)	(289)	(270)
	6,326	6,087	5,973
	7,193	18,297	17,406

2008 compared with 2007

Non-interest income, decreased by 61%, £11,104 million to £7,193 million. Non-interest income was severely affected by the weakness in financial markets experienced over the course of the year. While the decline was particularly marked in Global Banking & Market's credit markets and equities businesses, with reduced business volumes and mounting mark-to-market trading losses, Regional Markets also saw non-interest income fall in the latter part of the year as declining consumer confidence led to lower demand for credit and other financial products.

Excluding general insurance premium income, non-interest income fell by £11,343 million to £867 million.

Within non-interest income, fees and commissions receivable increased by 19% or £1,553 million, to £9,831 million, while fees and commissions payable increased by 9%, £193 million to £2,386 million.

Income from trading activities was down from £1,292 million to a loss of £8,477 million. Currency trading activities benefited from increased volatility in the markets. However, this improvement was more than offset by substantial credit market write downs during the year.

Other operating income also decreased, falling by 61%, £2,934 million to £1,899 million. This was principally due to a fall in the fair value of securities and other financial assets and liabilities partially offset by profits from the sale of subsidiaries and associates.

Insurance premium income, after reinsurance, increased by 4% to £6,326 million primarily reflecting a full year of ABN AMRO businesses in comparison with 76 days in 2007. This was partly offset by the discontinuation of less profitable partnership contracts.

2007 compared with 2006

Non-interest income increased by 5%, £891 million to £18,297 million, including £810 million from the acquisition of ABN AMRO. Good organic growth was offset by write-downs in Global Banking & Markets in respect of US mortgage-related and leveraged finance exposures. Non-interest income represents 60% of total income (2006 – 62%). Excluding general insurance premium income, non-interest income rose by 7%, £777 million to £12,210 million.

Within non-interest income, fees and commissions receivable increased by 16% or £1,162 million, to £8,278 million, while fees and commissions payable increased by 14%, £271 million to £2,193 million.

Income from trading activities was down from £2,675 million to £1,292 million. Interest rate and currency trading activities benefited from increased volatility and there was good growth from a broadening product range. These improvements were, however, more than offset by credit markets write downs.

Other operating income increased by 36%, £1,269 million to £4,833 million. This was principally due to growth in income from rental and asset-backed activities and principal investments in Global Markets.

General insurance premium income, after reinsurance, increased by 2% to £6,087 million with good growth in policies in the core businesses, particularly in Continental Europe.

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Business review continued

Credit market exposures

	2008			2007	
	Net exposure (1) £m	Write-downs before tax £m	Average price %	Net exposure(1) £m	Average price %
Asset-backed CDOs					
High grade	1,231	1,836	29	2,581	84
Mezzanine	144	1,140	6	1,253	70
	1,375	2,976		3,834	79
Monolines	4,804	3,557	n/a	2,547	n/a
US residential mortgages (2)					
Sub-prime	—	353	n/a	1,292	72
Alt-A	—	1,071	n/a	2,233	83
Other non-agency	—	43	n/a	794	94
	—	1,467		4,319	81
US commercial mortgages (2)	437	95	87	1,809	97
Leveraged finance (2)					
Held-for-trading	103	1,088	64	11,992	96
Loans and receivables	5,920	—	n/a	2,514	n/a
	6,023	1,088		14,506	
CLOs	520	240	81	1,386	93
		9,423			
CDS hedging		(1,642)			
Total net of CDS hedging		7,781			

Note:

- (1) Net of hedges and write-downs.
- (2) Figures represent the Group's remaining net exposure to its previously reported credit market exposures.
- (3) Includes commitments to lend.

Additional disclosures on these and other related exposures can be found in the rest of this document as follows:

Disclosure	Section	Sub-section	Page
Further analysis (1)	Risk management Financial	Credit market and related disclosures	101 – 123
Valuation aspects (1)	statements Financial	Note 11 Financial instruments	186 – 191
Valuation of financial instruments (1) (general and level 3)	statements	Critical accounting policies Note 11 Financial instruments	170 – 171 184 – 191

Reclassification of financial instruments	Financial statements	Note 11 Financial instruments	193
Asset-backed CDOs	Risk management	Market risk	88

Note:

(1) In preparing these disclosures, the Group took into consideration the leading practice recommendations of the Financial Stability Forum issued in April 2008 and the report of the IASB Advisory Panel 'measuring and disclosing fair value of financial instruments in markets that are no longer active' issued in October 2008.

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Business review continued

Operating expenses

	2008	2007	2006
	£m	£m	£m
Administrative expenses:			
Staff costs	10,241	7,338	6,723
Premises and equipment	2,593	1,703	1,421
Other administrative expenses	5,464	2,969	2,658
Total administrative expenses	18,298	12,010	10,802
Depreciation and amortisation	3,154	1,932	1,678
Write-down of goodwill and other assets	32,581	—	—
	54,033	13,942	12,480

2008 compared with 2007

Operating expenses increased by £40,091 million to £54,033 million, primarily reflecting the write-down of goodwill and other assets of £32,581 million following a review of the carrying value of goodwill and other assets. Cost growth in the Group's core retail and commercial banking franchises was offset by efficiency programmes and a significant reduction in Global Banking & Markets staff costs. The 2008 costs reflect a full year of the retained ABN AMRO businesses in comparison with 76 days in 2007.

The Group's ratio of operating expenses to total income was 208.9% compared with 45.9% in 2007, largely reflecting the impact on income of the year's difficult market conditions and the write-down of goodwill and other assets.

2007 compared with 2006

Operating expenses increased by 12%, £1,462 million to £13,942 million including £1,387 million relating to ABN AMRO. Adjusting for this, operating expenses increased by just £75 million, 1%, reflecting tight cost management and the benefits of the Group's manufacturing platform. Further improvements in productivity have supported growth in business volumes, and allowed the Group to maintain high levels of customer satisfaction.

The Group's ratio of operating expenses to total income was 45.9% compared with 44.6% in 2006.

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Business review continued

Integration costs

	2008	2007	2006
	£m	£m	£m
Staff costs	503	18	76
Premises and equipment	25	4	10
Other administrative expenses	486	26	32
Depreciation and amortisation	36	60	16
	1,050	108	134

2008 compared with 2007

Integration costs in 2008 were £1,050 million compared with £108 million in 2007. The significant increase reflects a full year of integration costs being incurred in respect of the ABN AMRO acquisition, compared to 76 days in 2007.

Accruals in relation to integration costs are set out below.

	At 31 December 2007	Currency translation adjustments	Charge to income statement	Utilised during the year	At 31 December 2008
	£m	£m	£m	£m	£m
Staff costs	4	—	503	(502)	5
Premises and equipment	2	—	25	(26)	1
Other	1	1	522	(521)	3
	7	1	1,050	(1,049)	9

2007 compared with 2006

Integration costs in 2007 were £108 million compared with £134 million in 2006 comprising amortisation of internally developed software and other expenditure. Software costs were previously written-off as incurred under UK GAAP but under IFRS are now amortised over the expected useful lives of up to five years. Software amortisation included in integration costs principally relates to the integration of Churchill, First Active and Citizens' acquisitions, including Charter One which was acquired in August 2004.

Restructuring costs

	2008	2007	2006
	£m	£m	£m
Staff costs	251	—	—
Premises and equipment	15	—	—
Other administrative expenses	41	—	—
	307	—	—

Accruals in relation to restructuring costs are set out below.

	At 31 December 2007	Currency translation adjustments	Charge to income statement	Utilised during the year	At 31 December 2008
	£m	£m	£m	£m	£m
Staff costs	—	33	251	—	284

Premises and equipment	—	—	15	—	15
Other	—	10	41	—	51
	—	43	307	—	350

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Business review continued

Impairment	2008	2007	2006
	£m	£m	£m
New impairment	8,391	2,310	2,093
less: recoveries of amounts previously written-off	(319)	(342)	(215)
Charge to income statement	8,072	1,968	1,878
Comprising:			
Loan impairment	7,091	1,946	1,877
Impairment of available-for-sale securities	981	22	1
Charge to income statement	8,072	1,968	1,878

2008 compared with 2007

Credit impairment losses increased to £8,072 million in 2008, compared with £1,968 million in 2007. The Group experienced a pronounced deterioration in impairments during the year, as financial stress spread to a broad range of customers. The greatest increase in impairments occurred in Global Banking & Markets. However, the Regional Markets businesses in all geographies also experienced a noticeable increase in impairments during the year, particularly in the UK SME and US personal segments.

Total balance sheet provisions for impairment amounted to £11,016 million compared with £6,452 million in 2007.

Total provision coverage (the ratio of total balance sheet provisions for impairment to total risk elements in lending) decreased from 60% to 52%. The ratio of total balance sheet provisions for impairment to total risk elements in lending and potential problem loans also decreased to 51% compared with 57% in 2007.

2007 compared with 2006

Impairment losses were £1,968 million compared with £1,878 million. Impairment losses in ABN AMRO in the period since acquisition were £103 million. Adjusting for this, impairment losses fell by £13 million, 1%. This reflected improvement in Global Markets and UK Retail & Commercial Banking partially offset by higher impairment in US Retail & Commercial Banking. New impairment losses were up 10%, £217 million to £2,310 million. Recoveries of amounts previously written-off were up £127 million, 59% to £342 million. Consequently the net charge to the income statement was up £90 million, 5% to £1,968 million.

Total balance sheet provisions for impairment, including ABN AMRO, amounted to £6,452 million compared with £3,935 million in 2006.

Total provision coverage (the ratio of total balance sheet provisions for impairment to total risk elements in lending) decreased from 62% to 60%. The ratio of total balance sheet provisions for impairment to total risk elements in lending and potential problem loans decreased to 57% compared with 62% in 2006. This reflects amounts written-off and the slightly lower risk profile of the portfolio.

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Business review continued

Taxation	2008	2007	2006
	£m	£m	£m
Tax	(2,323)	2,044	2,689
	%	%	%
UK corporation tax rate	28.5	30.0	30.0
Effective tax rate	5.7	20.8	29.3

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax as follows:

	2008	2007	2006
	£m	£m	£m
Expected tax (credit)/charge	(11,590)	2,950	2,756
Non-deductible goodwill impairment	8,292	12	—
Unrecognised timing differences	274	29	—
Other non-deductible items	330	222	288
Non-taxable items	(491)	(595)	(251)
Taxable foreign exchange movements	80	16	5
Reduction in deferred tax liability following change in the rate of UK corporation tax	—	(189)	—
Foreign profits taxed at other rates	203	(25)	63
Losses in year not recognised	942	2	—
Losses brought forward and utilised	(11)	(11)	14
Adjustments in respect of prior periods	(352)	(367)	(186)
Actual tax (credit)/charge	(2,323)	2,044	2,689

The effective tax rate for the year was 5.7% (2007 – 20.8%; 2006 – 29.3%). The tax credit is lower than that arising from applying the standard rate of UK corporation tax of 28.5% to the loss for the period, principally due to non-deductible goodwill impairment and certain carried forward losses on which no tax relief has been recognised.

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Business review continued

Divisional performance

The divisional results are stated before amortisation of purchased intangible assets, write-down of goodwill and other intangible assets and integration and restructuring costs ('Contribution'). The Group manages costs where they arise. Customer-facing divisions control their direct expenses whilst Manufacturing is responsible for shared costs. In 2008, the Group did not allocate these shared costs between divisions in the day-to-day management of its businesses, and the way in which divisional results are presented reflects this.

	2008 £m	2007 £m	2006 £m
Global Markets			
Global Banking & Markets	(10,515)	3,653	3,811
Global Transaction Services	1,818	1,315	1,186
Total Global Markets	(8,697)	4,968	4,997
Regional Markets			
UK Retail & Commercial Banking	5,679	6,225	5,718
US Retail & Commercial Banking	883	1,479	1,744
Europe & Middle East Retail & Commercial Banking	429	769	675
Asia Retail & Commercial Banking	127	91	67
Total Regional Markets	7,118	8,564	8,204
RBS Insurance	1,020	905	967
Group Manufacturing	(4,793)	(3,773)	(3,523)
Central items	(675)	(552)	(1,231)
Share of shared assets	(300)	(73)	—
RFS Holdings minority interest	41	163	—
Contribution	(6,286)	10,202	9,414
Amortisation of purchased intangibles	(443)	(262)	(94)
Integration and restructuring costs	(1,357)	(108)	(134)
Write-down of goodwill and other intangible assets	(32,581)	—	—
Operating (loss)/profit before tax	(40,667)	9,832	9,186

The performance of each of the divisions is reviewed on pages 35 to 52.

Risk-weighted assets of each division were as follows:

	Basel II 31 December 2008 £bn	Basel II 1 January 2008 £bn	Basel I 31 December 2007 £bn
Global Markets			
Global Banking & Markets	278.5	211.9	188.7
Global Transaction Services	19.6	16.8	15.4
Total Global Markets	298.1	228.7	204.1
Regional Markets			
UK Retail & Commercial Banking	152.5	153.1	179.0
US Retail & Commercial Banking	78.0	53.8	57.1
Europe & Middle East Retail & Commercial Banking	30.9	30.3	36.7

Asia Retail & Commercial Banking	6.4	4.9	3.3
Total Regional Markets	267.8	242.1	276.1
RFS Holdings minority interest	118.0	147.4	119.0
Other	11.9	15.3	9.8
	695.8	633.5	609.0

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Business review continued

Global Markets – Global Banking & Markets

	2008	2007	2006
	£m	£m	£m
Net interest income from banking activities	3,894	1,303	1,547
Funding costs of rental assets	(404)	(495)	(519)
Net interest income	3,490	808	1,028
Net fees and commissions receivable	1,288	1,198	859
Income from trading activities	(8,098)	1,789	2,341
Other operating income	800	3,024	2,476
Non-interest income	(6,010)	6,011	5,676
Total income	(2,520)	6,819	6,704
Direct expenses			
– staff costs	2,687		