

# Half Year Results 2011

**Leading the way**  
in Asia, Africa and the Middle East



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# **Leading the way** in Asia, Africa and the Middle East

**Richard Meddings**  
Group Finance Director

- Double digit income, pre-impairment profit and profit before tax growth
- Income over US\$8.7 billion and profit over US\$3.6 billion
- Strong cost control
- Balance sheet remains in excellent shape

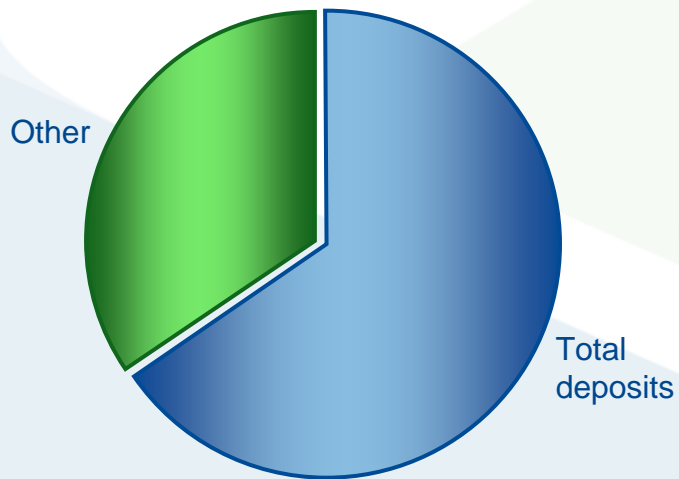
# Group performance

US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
Income	7,924	8,138	8,764	11	8
Net interest income	4,155	4,315	4,941	19	15
Non interest income	3,769	3,823	3,823	1	0
Expenses	(4,344)	(4,679)	(4,677)	8	(0)
Operating profit before impairment	3,580	3,459	4,087	14	18
Loan impairment	(437)	(446)	(412)	(6)	(8)
Other impairment	(50)	(26)	(72)	44	177
Profit from associates	23	19	33	43	74
<b>Profit before tax</b>	<b>3,116</b>	<b>3,006</b>	<b>3,636</b>	<b>17</b>	<b>21</b>
<b>Profit attributable to ordinary shareholders</b>	<b>2,098</b>	<b>2,133</b>	<b>2,516</b>	<b>20</b>	<b>18</b>

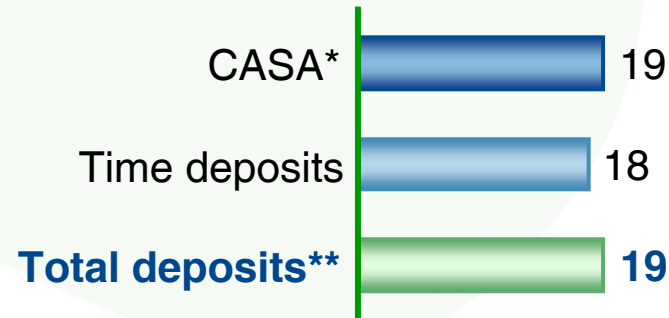
		Excluding UK bank levy		Including UK bank levy	
	H1 10	H1 11	H1 11 vs H1 10 %	H1 11	H1 11 vs H1 10 %
Profit before tax (US\$m)	3,116	3,636	17	3,541	14
Normalised EPS (cents)*	101.1	105.2	4	101.2	0
DPS (cents)*	22.50	24.75	10	24.75	10
Normalised ROE (%)	14.7	13.0		12.5	
Jaws (%)		3		1	

# Group balance sheet

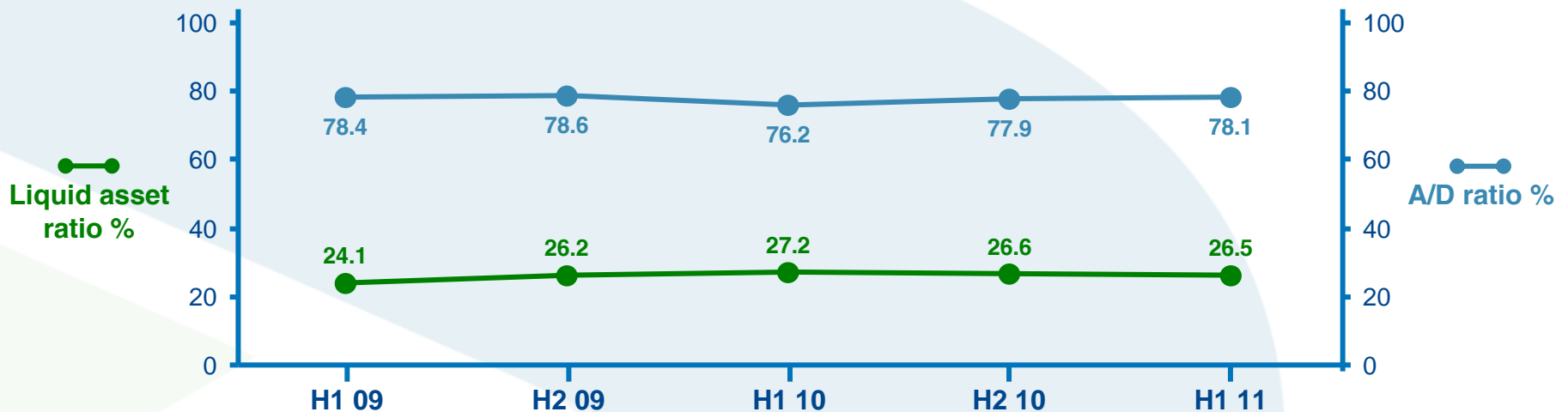
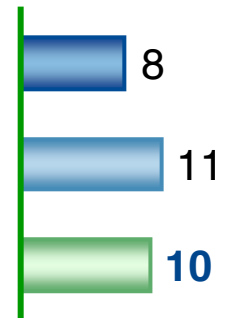
**Total liabilities H1 2011**  
**US\$ 568bn**



**H1 11 vs  
H1 10 %**



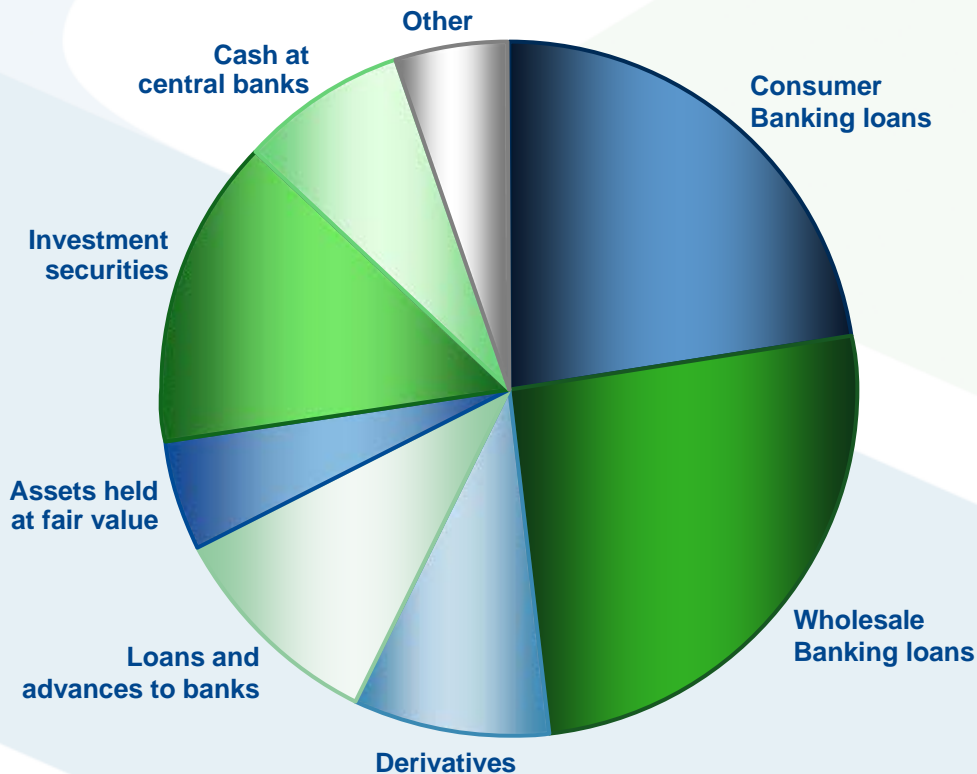
**H1 11 vs  
H2 10 %**



\* CASA - Current and savings accounts

\*\* Includes deposits by banks

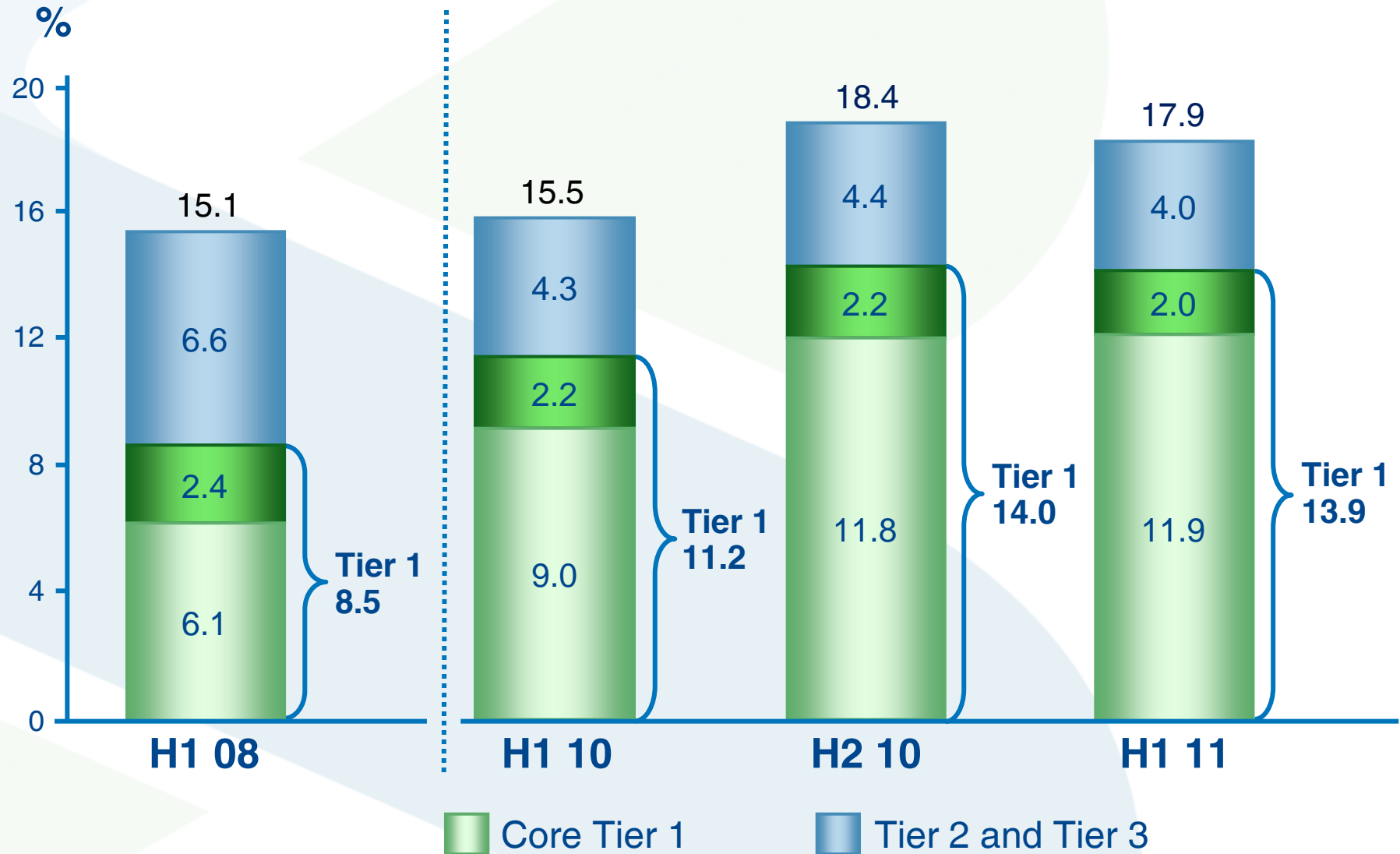
# Group balance sheet - assets



**Total assets H1 2011**  
**US\$ 568bn**

- Well diversified
- LTV of mortgage book 49%
- 67% of Wholesale Banking loans less than 1 year maturity
- Limited exposure to problem asset classes
- No sovereign exposure to Portugal, Italy, Ireland, Greece and Spain

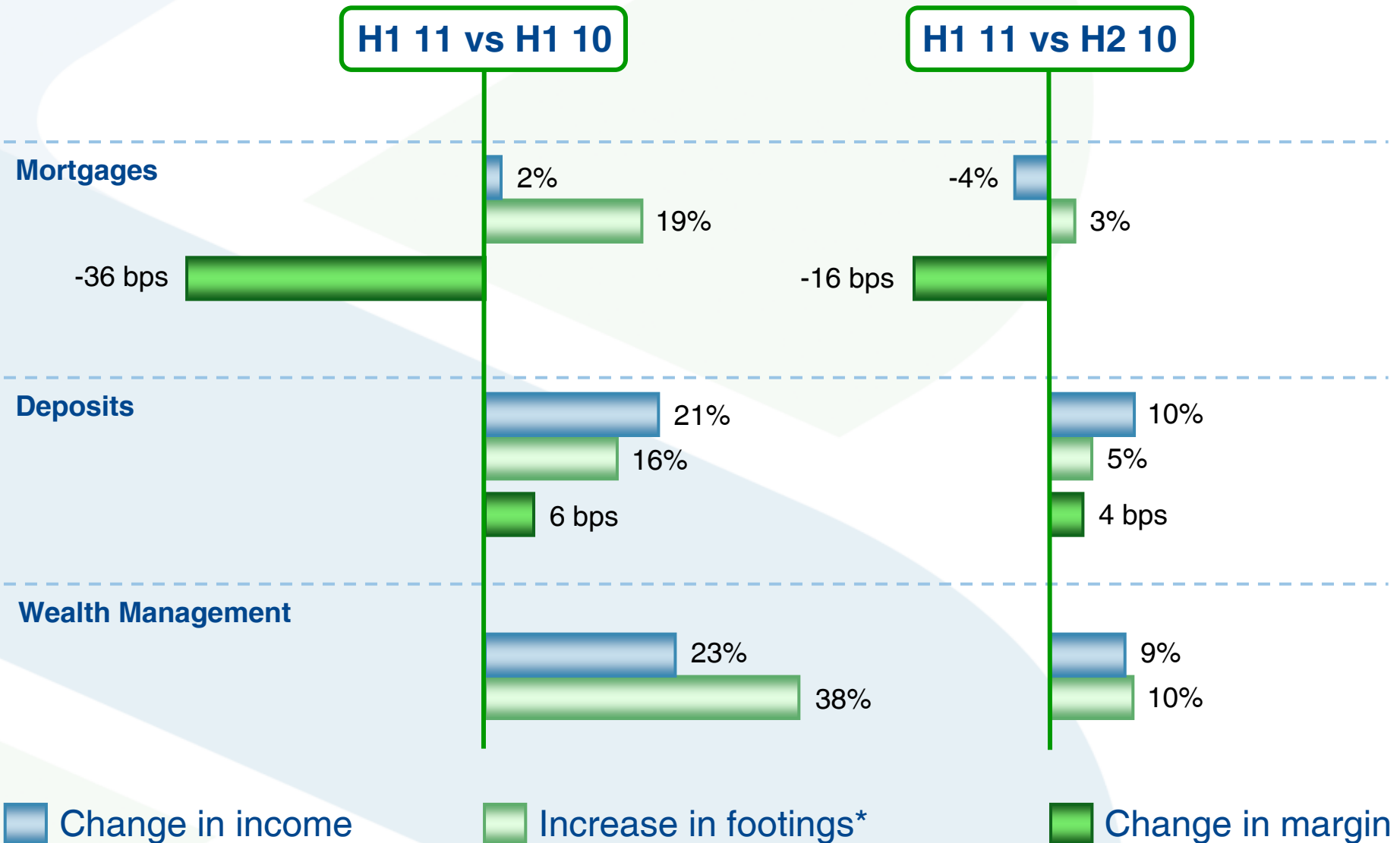




# Consumer Banking performance

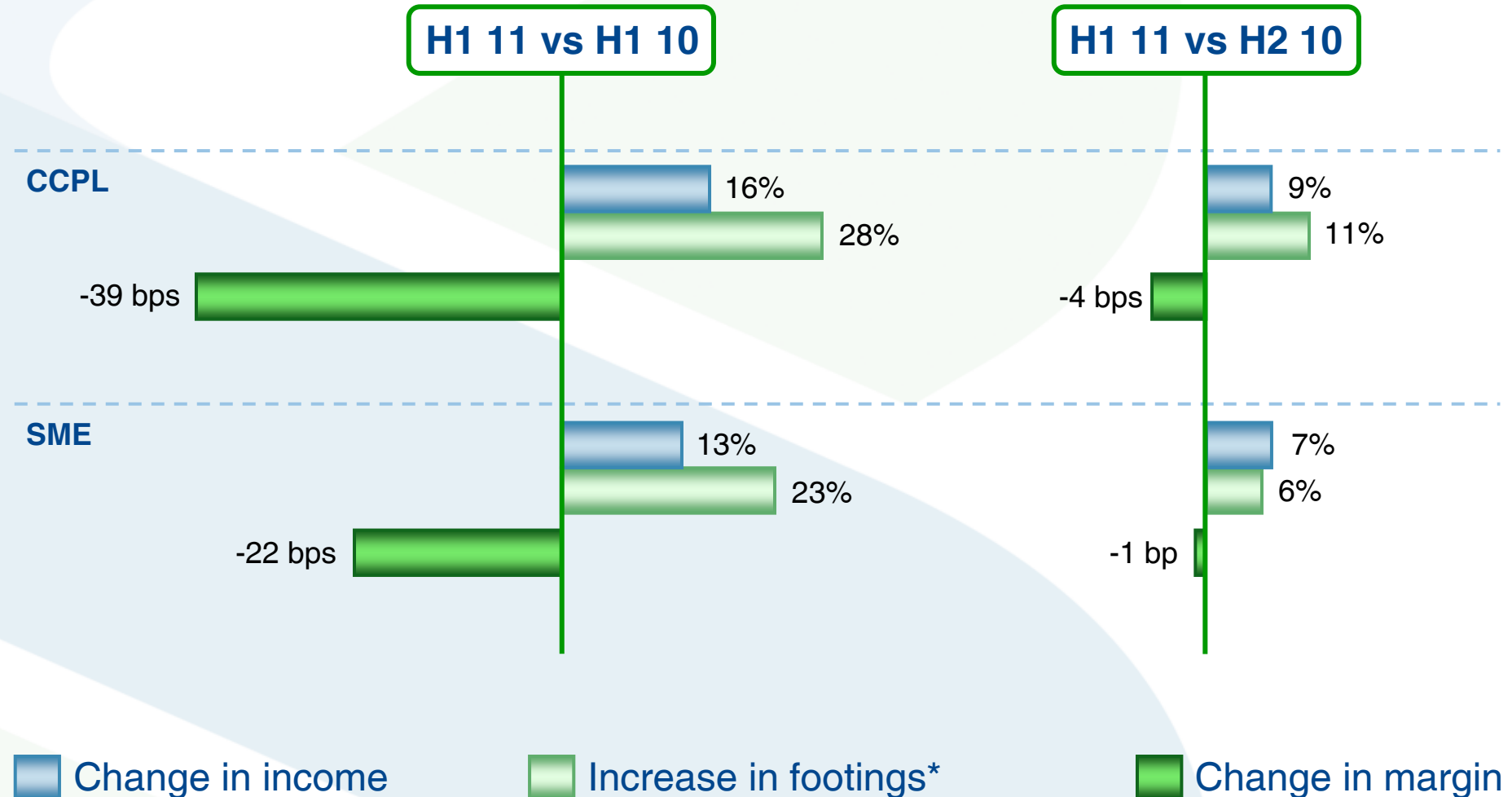
US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
Income	2,912	3,167	3,337	15	5
Expenses	(1,966)	(2,210)	(2,109)	7	(5)
Operating profit before impairment	946	957	1,228	30	28
Loan impairment	(299)	(279)	(211)	(29)	(24)
Other impairment	(4)	(8)	(4)	0	(50)
<b>Operating profit</b>	<b>643</b>	<b>670</b>	<b>1,013</b>	<b>58</b>	<b>51</b>
Risk weighted assets (US\$bn)	59.5	67.5	73.3	23	9

# Consumer Banking income



\* For Mortgages footings are loans to customers, for Deposits, deposits only, and for Wealth Management, third party AUM

# Consumer Banking income continued



\* For CCPL footings are loans to customers and for SME loans to customers and deposits combined

# Consumer Banking loan impairment trend

		H1 10	H2 10	FY 10	H1 11
<b>Mortgages</b>	LI/ANR	0.05%	0.09%	0.07%	0.04%
	30dpd/ENR	0.70%	0.61%	0.61%	0.60%
	Loan book (US\$bn)	61	71	71	73
	LI (US\$m)	17	32	49	13
<b>SME</b>	LI/ANR	0.60%	0.71%	0.66%	0.40%
	90dpd/ENR	1.10%	0.72%	0.72%	0.58%
	Loan book (US\$bn)	14	17	17	20
	LI (US\$m)	44	60	104	38
<b>Other</b> Including personal loans & credit cards	LI/ANR	1.93%	1.33%	1.61%	1.03%
	30dpd/ENR	2.58%	2.32%	2.32%	2.09%
	Loan book (US\$bn)	28	29	29	33
	LI (US\$m)	238	187	425	160
<b>Total</b>	LI/ANR	0.58%	0.49%	0.53%	0.35%
	30dpd/ENR	1.20%	1.02%	1.02%	0.95%
	Loan book (US\$bn)	103	117	117	126
	LI (US\$m)	299	279	578	211

NOTE: LI - Loan impairment, ANR - Average net receivables, ENR - End period net receivables

# Wholesale Banking performance

US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
Income	5,012	4,967	5,427	8	9
Expenses	(2,357)	(2,483)	(2,568)	9	3
Operating profit before impairment	2,655	2,484	2,859	8	15
Loan impairment	(138)	(167)	(201)	46	20
Other impairment	(46)	(18)	(68)	48	nm
<b>Operating profit</b>	<b>2,471</b>	<b>2,299</b>	<b>2,590</b>	<b>5</b>	<b>13</b>
Risk weighted assets (US\$bn)	174.6	177.5	189.0	8	6

# Diversified income streams

Total income by product US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
<b>Lending &amp; Portfolio Mgt</b>	465	403	435	(6)	8
<b>Transaction Banking</b>	1,282	1,488	1,552	21	4
Trade	691	776	767	11	(1)
Cash Mgt & Custody	591	712	785	33	10
<b>Global Markets</b>	3,265	3,076	3,440	5	12
Financial Markets	1,711	1,592	1,951	14	23
ALM	488	424	431	(12)	2
Corporate Finance	932	778	912	(2)	17
Principal Finance	134	282	146	9	(48)
<b>Total Wholesale Banking</b>	<b>5,012</b>	<b>4,967</b>	<b>5,427</b>	<b>8</b>	<b>9</b>
Of which client income % of total	4,063 81	3,970 80	4,436 82	9	12

Total income by product US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
FX	646	554	769	19	39
Rates	512	325	450	(12)	38
Commodities and Equities	165	246	319	93	30
Capital Markets	233	308	271	16	(12)
Credit and Other	155	159	142	(8)	(11)
<b>Total Financial Markets</b>	<b>1,711</b>	<b>1,592</b>	<b>1,951</b>	<b>14</b>	<b>23</b>
Of which client income % of total	1,341 78	1,335 84	1,481 76	10	11



# Wholesale Banking impairment

US\$m	H1 10	H2 10	H1 11	H1 11 vs H1 10 %	H1 11 vs H2 10 %
Loan impairment	(138)	(167)	(201)	46	20
Other impairment	(46)	(18)	(68)	48	nm
<b>Total impairment</b>	<b>(184)</b>	<b>(185)</b>	<b>(269)</b>	<b>46</b>	<b>45</b>
Loans and advances to customers (US\$bn)*	117.2	130.0	142.7	22	10
% IIP** on new accounts	52	74	15		
Cover ratio (%)	56	50	53		
Uncovered net at risk (%)	32	37	34		

\* Excludes portfolio impairment provision

\*\* Individual impairment provision

# Performance by geography

US\$m	Income			Profit		
	H1 10	H1 11	H1 11 vs H1 10 %	H1 10	H1 11	H1 11 vs H1 10 %
Hong Kong	1,191	1,531	29	511	790	55
Singapore	913	1,094	20	419	465	11
Korea	796	840	6	149	193	30
Other APR	1,541	1,748	13	579	846	46
India	1,011	893	(12)	624	378	(39)
MESA	1,056	1,118	6	400	429	7
Africa	646	678	5	311	291	(6)
Americas, UK & Europe	770	862	12	123	244	98
<b>Total</b>	<b>7,924</b>	<b>8,764</b>	<b>11</b>	<b>3,116</b>	<b>3,636</b>	<b>17</b>

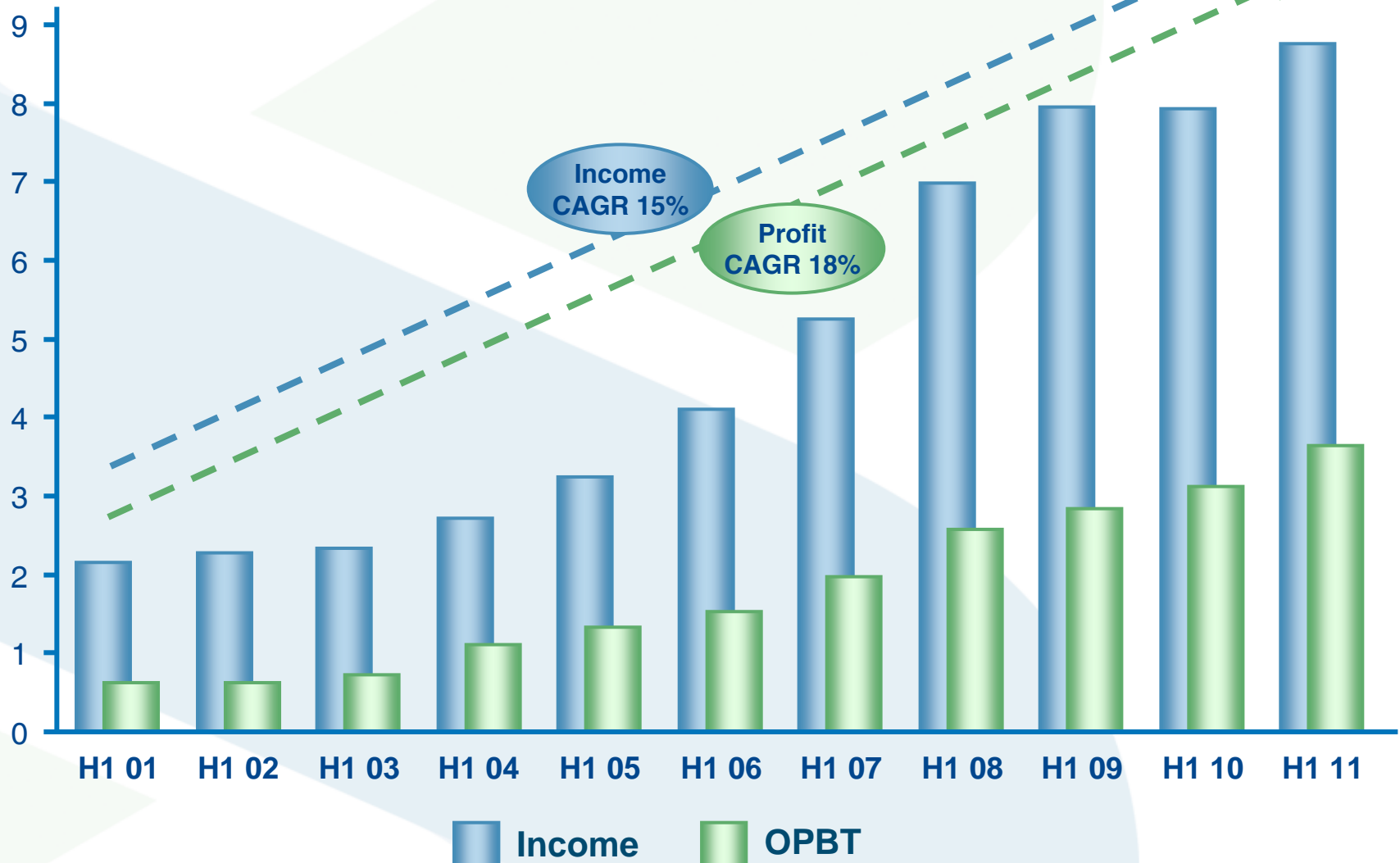
- Second half has started well; momentum continuing in both businesses
- On track to deliver double digit income growth and flat jaws, excluding UK bank levy, for full year
- Remain focused on balance sheet foundations
- Well positioned in growth markets and continuing to take market share

# **Leading the way** in Asia, Africa and the Middle East

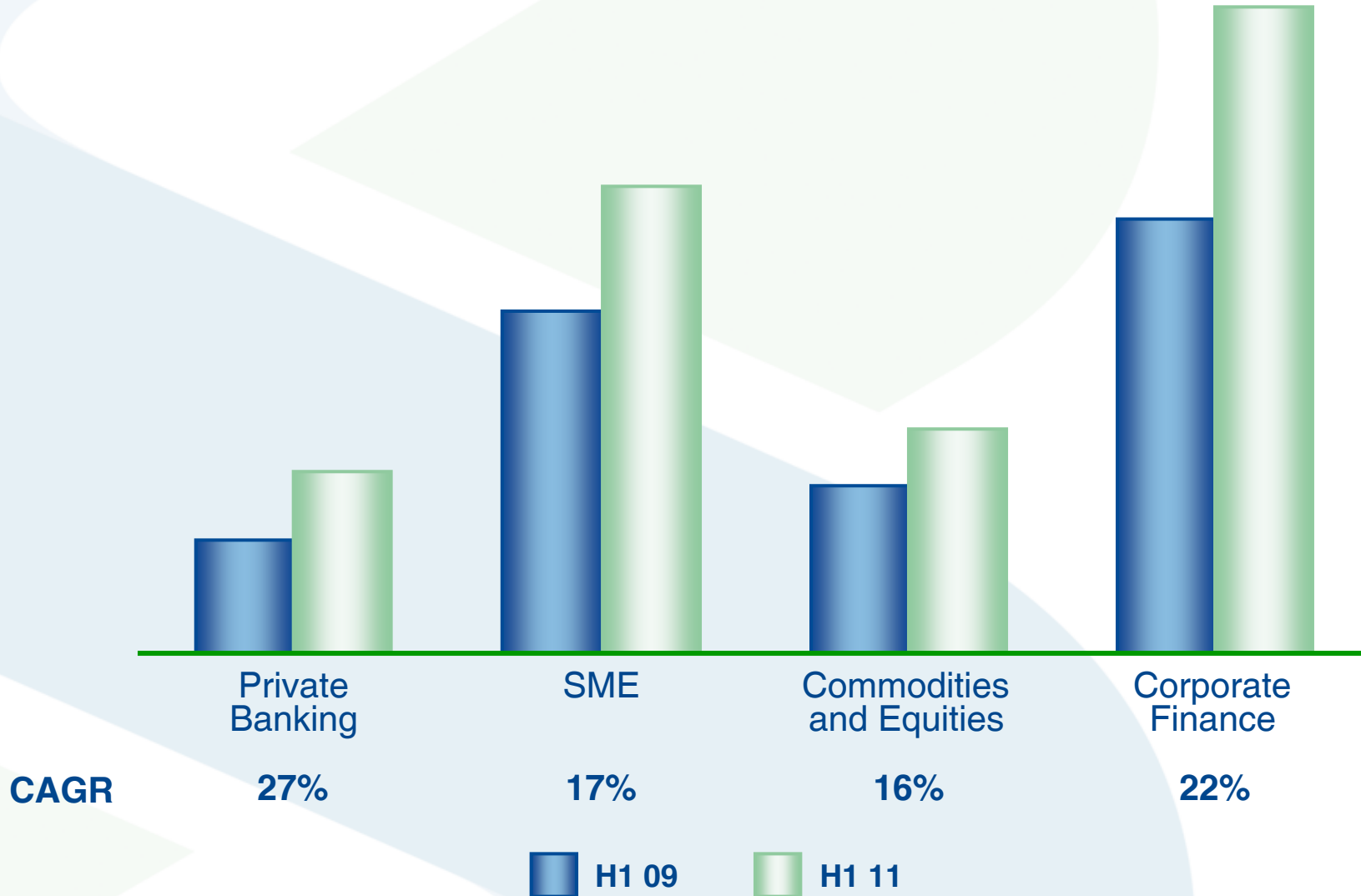
**Peter Sands**  
Group Chief Executive

# Consistent delivery

US\$bn

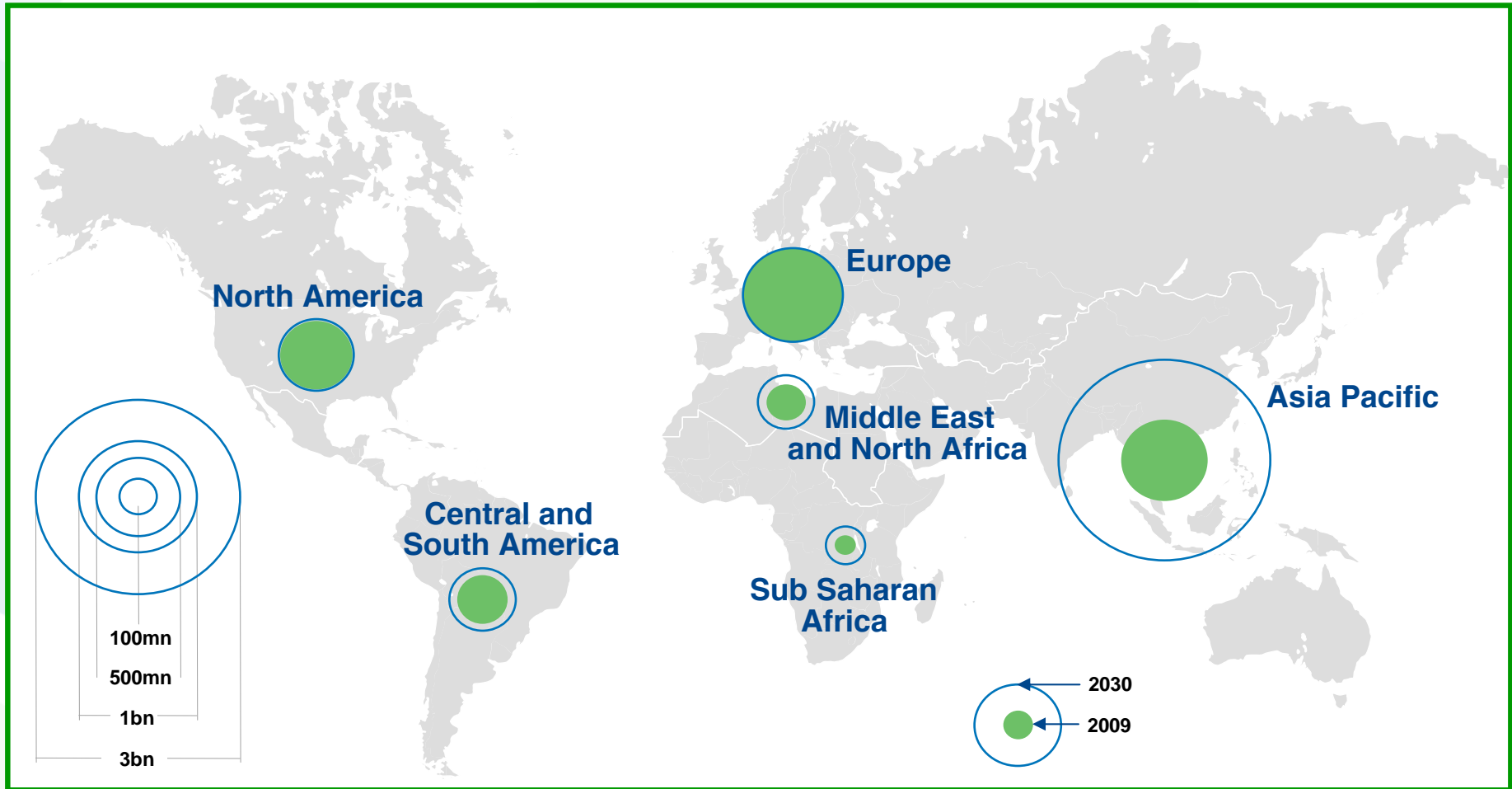


# Income diversity by product



GDP growth (%)	2010	2011F	2012F
Eurozone	1.7	2.0	2.2
US	2.8	2.5	3.4
China	10.3	9.3	10.0
Hong Kong	6.8	6.0	5.0
India*	8.5	7.7	8.3
Indonesia	6.1	6.5	7.0
Malaysia	7.2	5.1	6.0
Philippines	7.2	5.7	6.0
Singapore	14.5	5.5	6.0
South Korea	6.2	3.9	4.8
Taiwan	10.5	5.6	6.0
Thailand	7.8	4.4	5.8
Vietnam	6.8	6.3	7.0

# Growth of middle classes







US\$m	H1 10	H1 11	H1 11 vs H1 10 %
Income	1,011	893	(12)
Expenses	(344)	(390)	13
Operating profit before impairment	667	503	(25)
Loan impairment	(43)	(72)	67
Other impairment	0	(53)	nm
<b>Operating profit</b>	<b>624</b>	<b>378</b>	<b>(39)</b>





US\$m	H1 10	H1 11	H1 11 vs H1 10 %
Income	796	840	6
Expenses	(518)	(564)	9
Operating profit before impairment	278	276	(1)
Loan impairment	(129)	(81)	(37)
Other impairment	0	(2)	nm
<b>Operating profit</b>	<b>149</b>	<b>193</b>	<b>30</b>



US\$m	H1 10	H1 11	H1 11 vs H1 10 %
Income	1,191	1,531	29
Expenses	(656)	(684)	4
Operating profit before impairment	535	847	58
Loan impairment	(25)	(57)	128
Other impairment	1	0	nm
<b>Operating profit</b>	<b>511</b>	<b>790</b>	<b>55</b>





US\$m	H1 10	H1 11	H1 11 vs H1 10 %
Income	347	404	16
Expenses	(274)	(310)	13
Operating profit before impairment	73	94	29
Loan impairment	(9)	(5)	(44)
Other impairment	0	27	nm
Gain from associates	14	21	50
<b>Operating profit</b>	<b>78</b>	<b>137</b>	<b>76</b>

# Strong income growth in smaller markets



**Bangladesh**  
22%

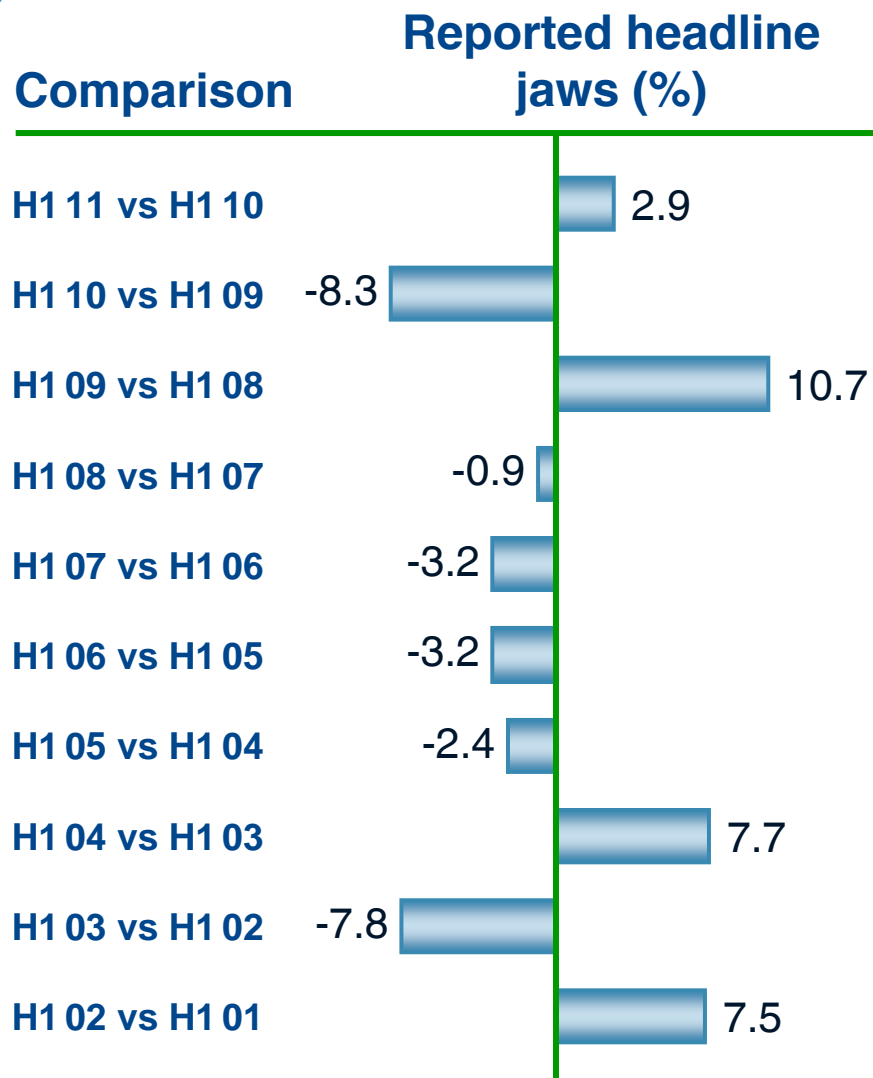
**Thailand**  
24%

**YOY**

**Indonesia**  
20%

**Nigeria**  
13%





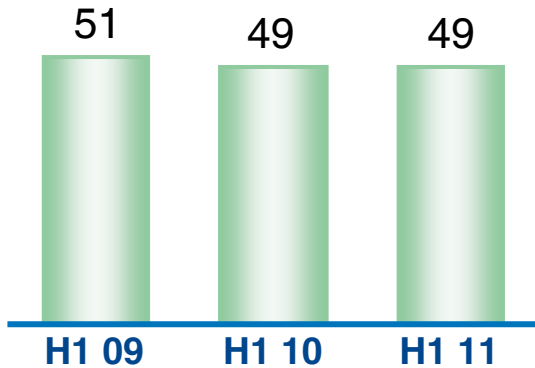
\* Calculated as cumulative income less cumulative expenses growth over the applicable period



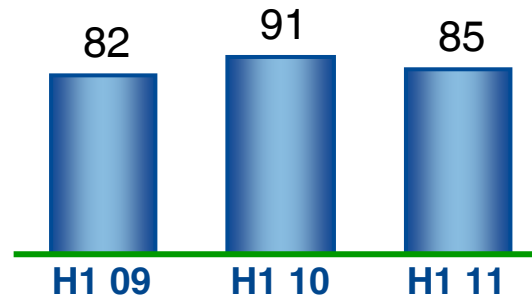




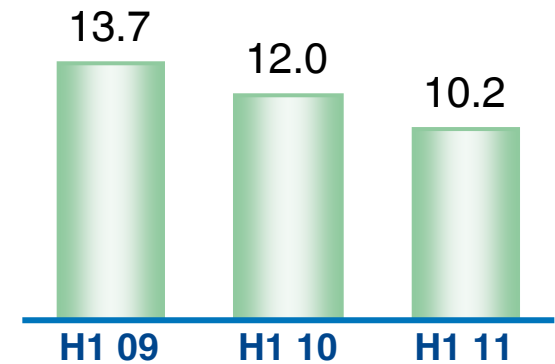
**LTVs on  
mortgage portfolio  
(%)**



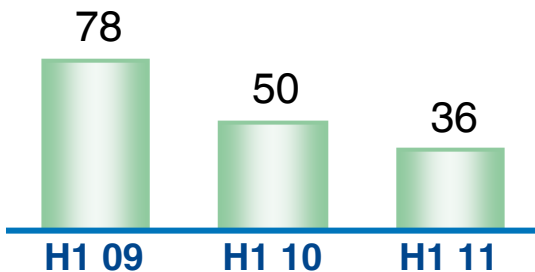
**Wholesale Banking  
probability of default  
(basis points)**



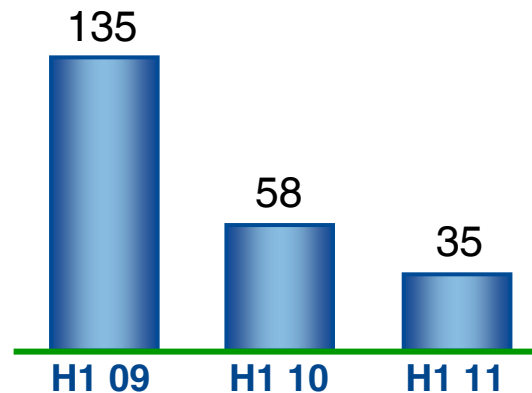
**Average  
trading VaR  
(US\$m)**



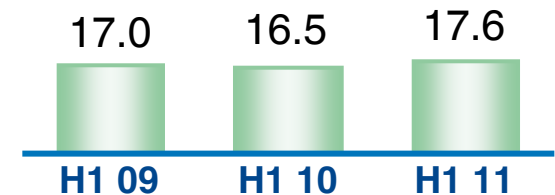
**Consumer Banking  
90 days past due  
(basis points)**



**Consumer Banking LI/ANR  
(basis points)**



**Loan book concentration  
in largest geography  
(%)**





- Double digit income growth in 2011 and beyond
- We will pace our investments to ensure costs grow broadly in line with income
- Double digit growth in earnings per share
- Mid-teens ROE

