

Leading the way in Asia, Africa and the Middle East

Morgan Stanley European Financials Conference



Forward looking statement

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Leading the way in Asia, Africa and the Middle East

Richard Meddings
Group Finance Director

Who we are

- Over **150** year heritage
- Over **1,700** branches & offices
- Presence in **68** markets
- Over **89,000** employees
- Primary listings in London, Hong Kong and Mumbai
- Credit ratings **AA-** / **A1** / **AA-** (S&P / Moody's / Fitch respectively)
- Around **90%** of income from Asia, Africa and Middle East
- Lead regulated by the UK Financial Services Authority
- Market cap: **US\$65bn** (7th March 2013)



Our competitive differentiation

Our Strategic Intent

The world's best international bank

Leading the way in Asia, Africa and the Middle East

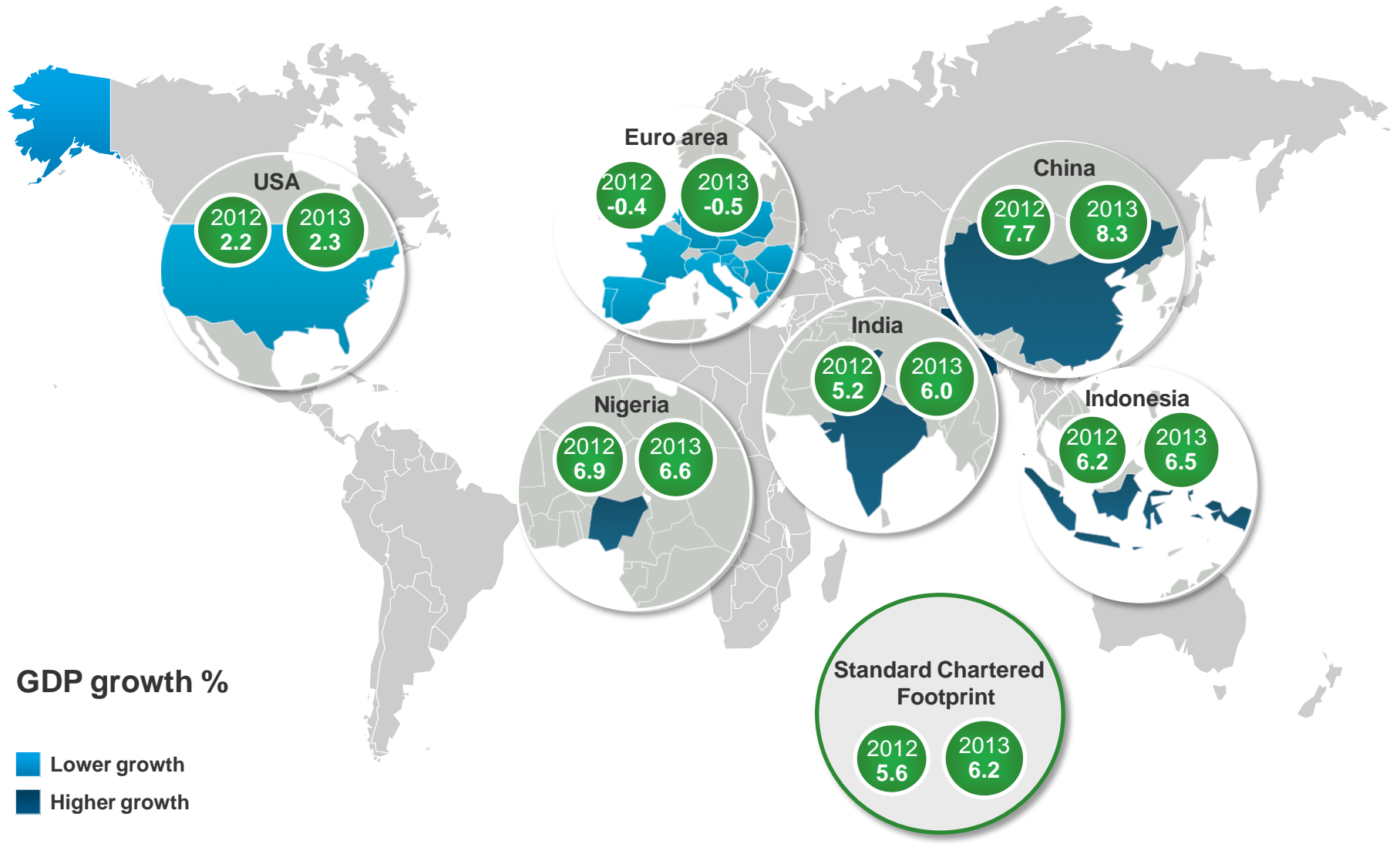
Our Brand Promise

Here for good

2013

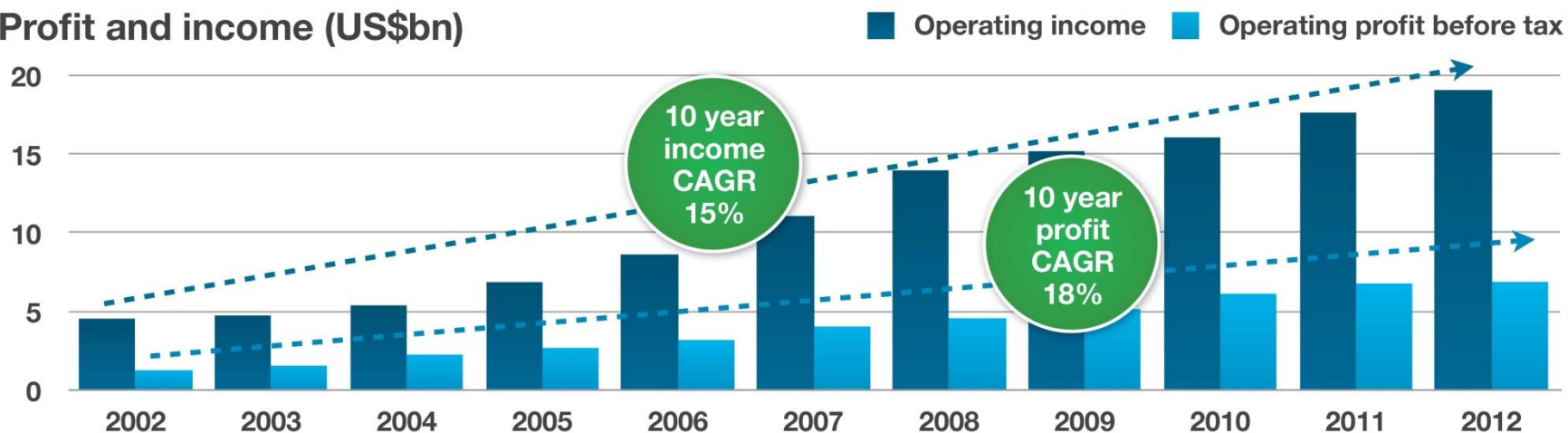
Our Values	Courageous We take measured risks and stand up for what is right	Responsive We deliver relevant, timely solutions for clients and customers	International We value diversity and work as One Bank	Creative We innovate and adapt, continuously improving the way we work	Trustworthy We are reliable, open and honest	payment mechanisms	and digitise
						Avalanche of regulatory change Cost, complexity, fragmentation, impact on capital/liquidity	Intensify collaboration across the network
Our Distinctive Strengths	Collaborative Network Combining global capability and local knowledge		Clients and Customers Building deep and long term relationships		Disciplined Growth Delivering results without compromising balance sheet strength or control of risks and costs	Sustained political and public hostility towards banks Pressure to demonstrate social purpose, intolerance of further failure	Get fitter and more flexible in the way we work
						Intense competition Strong local banks, return of major global players, the rise of non-banks	Accelerate the next generation of leaders
Our Commitments	Colleagues A great place to work, enabling individuals to grow and teams to win	Society A force for good, promoting sustainable economic and social development	Investors A distinctive investment, delivering consistently superior performance	Regulators A responsible partner with exemplary governance and ethics			
							Deliver superior financial performance

Macro environment

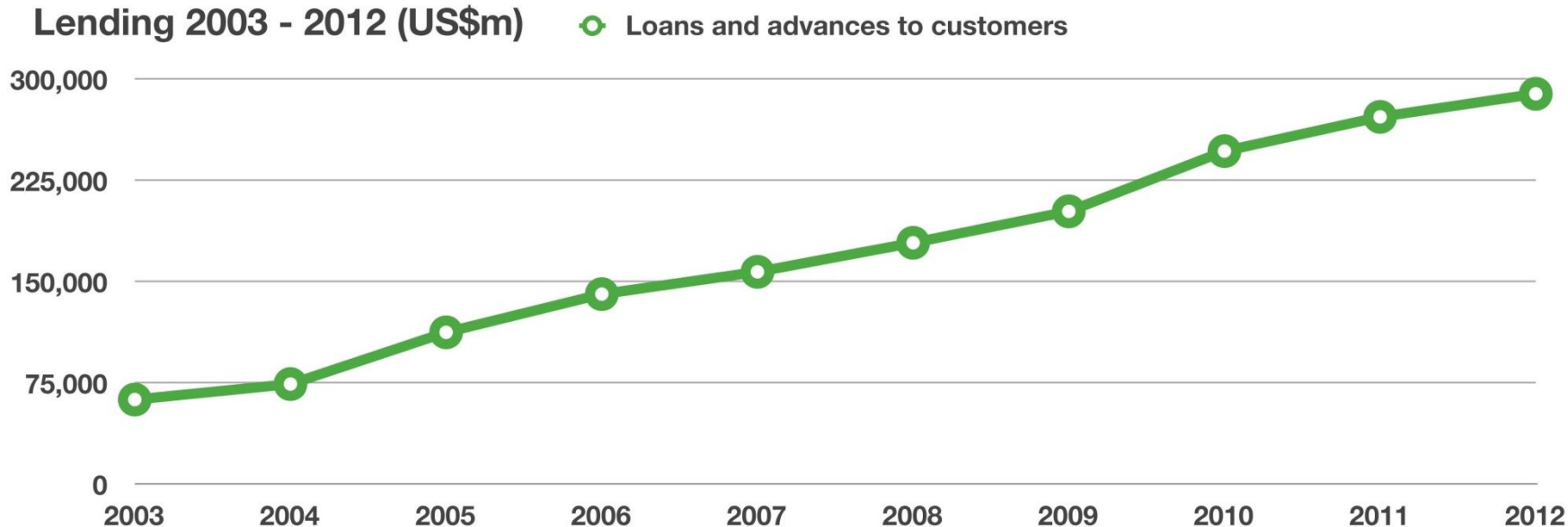


Consistent delivery

Profit and income (US\$bn)



Lending 2003 - 2012 (US\$m)



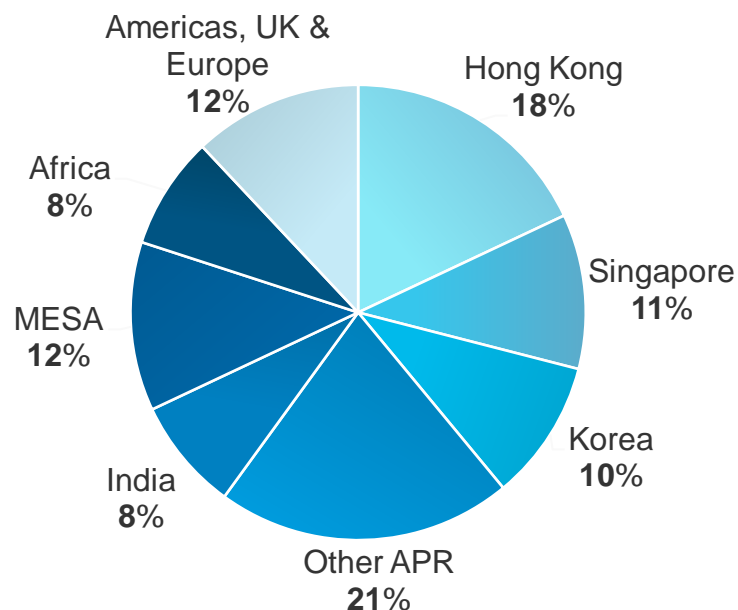
Performance highlights

	2012		2012 Normalised*
Income	US\$19.1bn	↑ 8%	
Jaws	(2%)		5%
Profit before tax	US\$6.9bn	↑ 1%	↑ 12%
Dividend per share	84.0c	↑ 10.5%	
Earnings per share	199.7c		225.2c
Return on equity	12.2%		12.8%

* Normalised as per details on page 86 of the 2012 press release

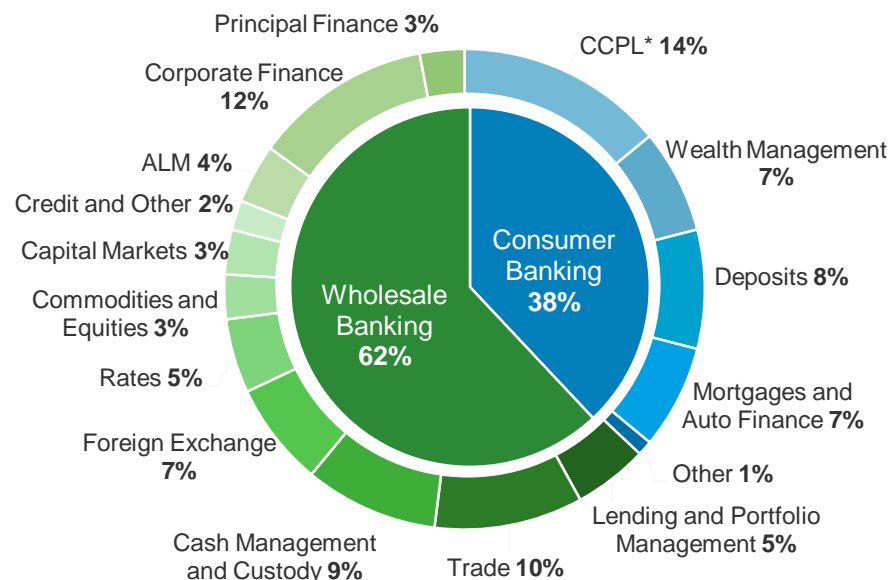
Diversity a differentiator

Operating income by geography



* Cards, Personal Loans and Unsecured Lending

Operating income by product



Consumer Banking performance

US\$m	2011	H1 12	H2 12	2012	YoY%
Income	6,791	3,515	3,687	7,202	6
Expenses	(4,605)	(2,307)	(2,416)	(4,723)	3
Operating profit before impairment	2,186	1,208	1,271	2,479	13
Loan impairment	(524)	(300)	(397)	(697)	33
Other impairment	(12)	(9)	5	(4)	(67)
Operating profit	1,650	899	879	1,778	8

Wholesale Banking performance

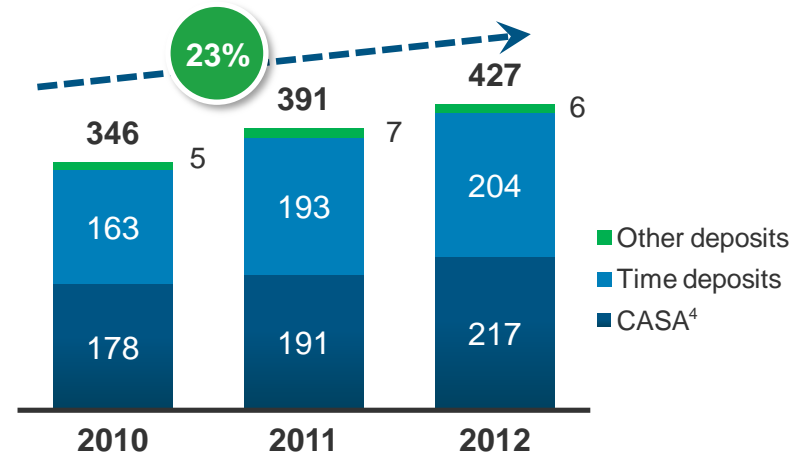
US\$m	2011	H1 12	H2 12	2012	YoY%
Income	10,846	5,996	5,783	11,779	9
Expenses	(5,147)	(2,656)	(3,343)	(5,999)	17
Operating profit before impairment	5,699	3,340	2,440	5,780	1
Loan impairment	(384)	(283)	(241)	(524)	36
Other impairment	(99)	(65)	(55)	(120)	21
Operating profit	5,216	2,992	2,144	5,136	(2)

Group balance sheet

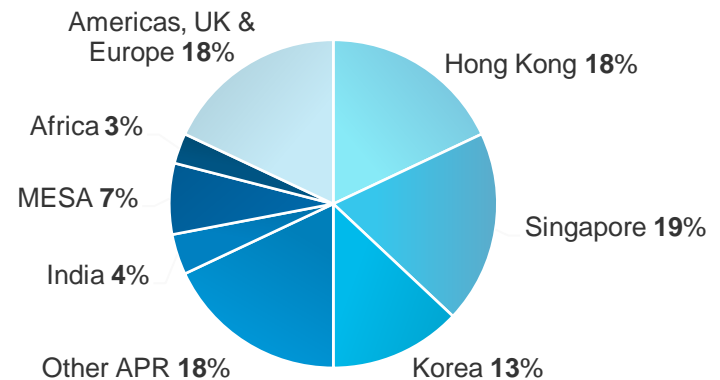
- A/D¹ ratio of 74.1% and liquid asset ratio of 30.4%
- Net interbank lender and US\$194bn of liquid assets
- Basel III NSFR² and LCR³ requirements already met
- No direct sovereign exposure to Greece, Ireland, Italy, Portugal or Spain
- Limited exposure to problem asset classes

1. Advances to deposit ratio 2. Net stable funding ratio 3. Liquidity coverage ratio
4. Current accounts and savings accounts

Total deposits – US\$m



Customer loans and advances by geography



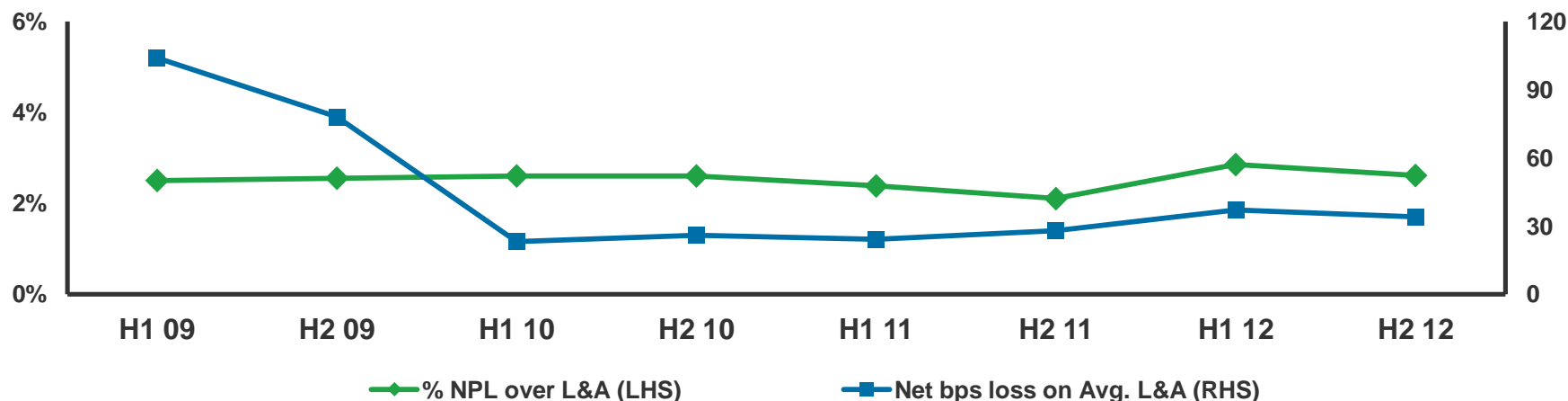
Consumer Banking

- 82% of Consumer Banking portfolio is fully or partially secured
- Only 11% of the SME portfolio is unsecured
- Average LTV on mortgage portfolio of 48%

Wholesale Banking

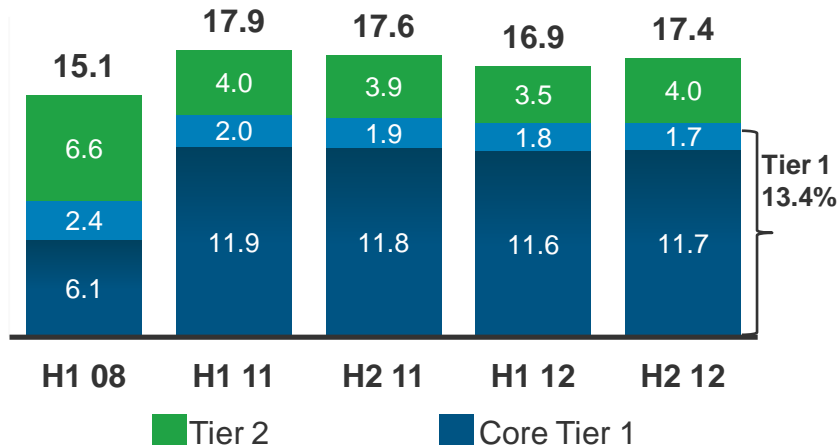
- 62% of Wholesale Banking loans less than 1 year maturity
- Well diversified book by geography and industry
- Continue to distribute assets

Wholesale Banking - Non Performing Loans and Loan Impairment trend

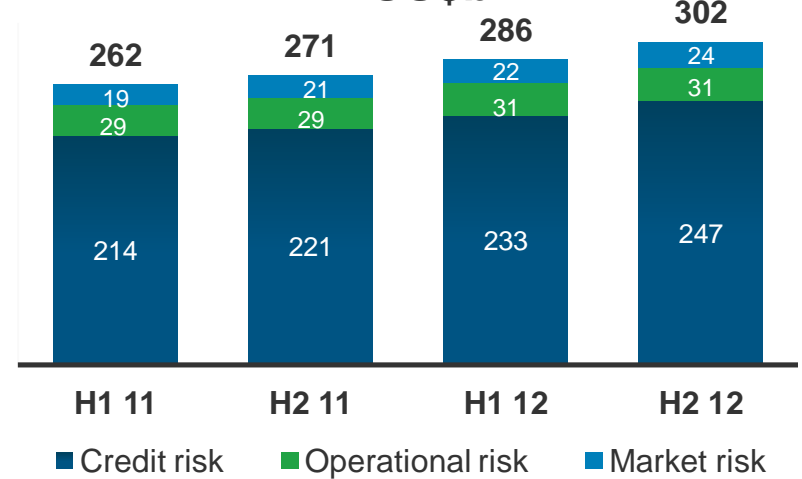


Capital generation

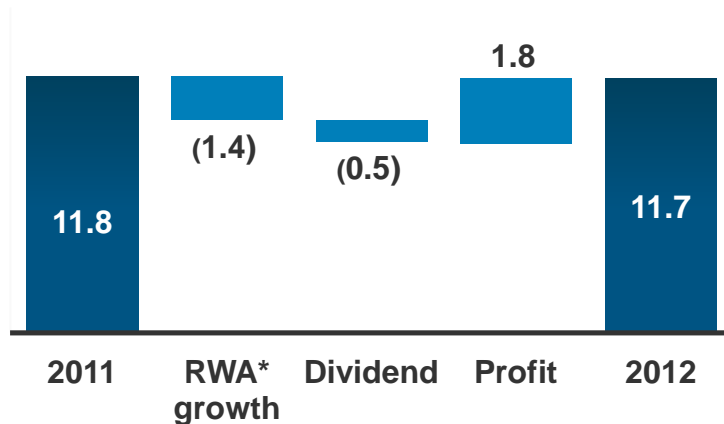
Capital ratios %



RWA* US\$bn

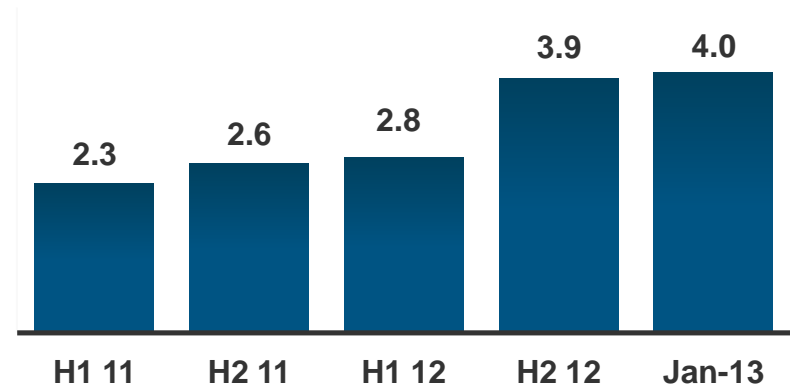


Core tier 1 capital reconciliation %



* Risk Weighted Assets

Debt and capital issuance US\$bn



- We remain focused on consistent delivery against our four financial objectives
- Good momentum in both Consumer Banking and Wholesale Banking
- Remain focused on balance sheet foundations
- Well positioned in growth markets

Q&A