

# UK Banks Big Picture: Winter 2013/14

## Volumes, Housing, Asset Quality and Margin Trends

- **Mortgage Lending Accelerating** – Net mortgage lending reached a four-year high in November 2013, boosted by increasing demand and a buoyant housing market. Government initiatives such as ‘Help to Buy’ also played a small part. Overall gross mortgage lending is +22% yoy. Credit card lending and unsecured lending volumes have also continued to improve, but corporate lending volumes remain subdued, as lending to UK commercial real estate continues to contract. Loan-to-deposit ratios continue to decline as overall deposit growth continues to outpace loan growth.
- **Housing Market Boom** – UK house prices continue to rise, now up 6-8% yoy, with all regions showing gains. This is widely expected to continue into 2014, with the RICS survey balance at record highs and mortgage approvals accelerating into the year-end. The proportion of outstanding mortgage balances on fixed rates has declined from 61% at June 2007 to 35% today, but there has been an uptick in borrowers seeking fixed rate mortgages in recent months. The availability of higher-LTV mortgages also looks set to recover, driven partially by ‘Help to Buy’.
- **Arrears Declining** – Mortgage arrears and possessions continued to decline in 3Q13, while forward-looking metrics – such as mortgage payments as a percentage of disposable income – remain attractive versus historic levels. Credit card write-offs also continue to decline, but corporate asset quality indicators have been mixed. We see limited risks to asset quality in the near term, but much will depend on the timing of when base rates start to increase, widely expected to be early-2015.
- **Deposit Rates Stabilizing** – Rates on new time deposits are down >140bps since June 2012, as competition eased post FLS. However, the majority of this fall occurred in 2H12 (c100bps) and, to a lesser extent, 1H13 (c25bps). Most of the benefit is therefore set to be recognized in bank NIMs by mid-2014. More recently new time-deposit rates have stabilized at these lower levels, while asset spreads also continue to edge downwards. This could therefore limit the potential for further margin upside in 2H14 and beyond, until we see base rate rises.
- **Buy Barclays, HSBC, StanChart** – In our accompanying report [Banking on London - Decoding UK Retail Banking: Buy Barclays & HSBC \(22 Jan 2013\)](#), we analyze regional lending and branch data to establish which of the largest lenders are best positioned in the UK for growth, cost take-out and asset quality. Barclays (Buy) and HSBC (Buy) both screen well. Barclays is also on the [Citi Focus List](#) – we expect the firm to address investor concerns on leverage, asset shrinkage and costs with the full-year results. Our other Buy-rated UK bank is Standard Chartered, where we believe downside risks are more than adequately reflected in the lowly valuation. We have a Neutral rating on Lloyds and Sell/High Risk rating on RBS.

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### Andrew Coombs

+44-20-7986-4053  
andrew.coombs@citi.com

### Ronit Ghose

+44-20-7986-4028  
ronit.ghose@citi.com

### Rahul Bajaj

+44-20-7986-6571  
rahul.bajaj@citi.com

### Yafei Tian

yafei.tian@citi.com

### European Banks Team:

Azzurra Guelfi

Nicholas Herman

Kinner Lakhani

Stefan Nedialkov

Simon Nellis

Florent Nitu

Vikas Sharma

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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# Key UK Banking Statistics

## Lending Volumes: Recovery in Household Lending

Figure 1. Summary of Volume Trends – Recovery in Household Lending Volumes

	Mortgage Lending				Credit Cards			Other Personal			Corporate		Retail Deposits	
	Gross	Net	Remorg	Stock	Gross	Net	Stock	Gross	Net	Stock	Net	Stock	Net	Stock
<b>Recent Monthly Trends</b>														
Dec-12	10,356	357	2,821	1,077,256	12,884	1,158	55,204	4,112	683	101,679	-4,242	386,025	8,256	1,341,535
Jan-13	10,552	532	2,950	1,077,395	11,736	-1,052	55,113	4,049	217	101,603	2,597	388,622	-5,256	1,336,279
Feb-13	9,625	-278	3,236	1,076,916	10,822	-22	55,320	4,130	192	101,187	-2,604	386,018	8,337	1,344,616
Mar-13	10,544	277	3,812	1,076,767	11,541	-40	55,411	4,328	319	100,899	-1,178	384,840	18,669	1,363,285
Apr-13	11,029	-253	4,322	1,076,412	12,433	374	55,326	4,194	423	100,857	-8,466	376,374	-898	1,362,387
May-13	13,383	876	4,415	1,077,195	12,607	268	55,513	4,316	354	100,947	-1,337	375,037	10,357	1,372,744
Jun-13	13,565	2,142	4,300	1,079,257	11,868	522	55,623	4,364	91	100,681	-2,079	372,958	8,713	1,381,457
Jul-13	15,212	1,619	4,994	1,080,774	13,626	-43	57,193	4,294	631	100,986	-608	372,350	-2,039	1,379,418
Aug-13	15,045	1,972	4,662	1,082,147	12,730	544	57,240	4,310	534	101,194	-2,711	369,639	5,475	1,384,893
Sep-13	14,803	1,410	4,808	1,083,454	12,844	276	57,248	4,359	921	101,536	215	369,854	8,375	1,393,268
Oct-13	16,140	2,338	5,505	1,086,266	12,948	-151	57,237	4,233	186	101,371	-342	369,512	2,633	1,395,901
Nov-13	15,689	3,165	5,011	1,090,057	13,036	1,110	57,364	4,283	239	101,549	1,274	370,786	13,100	1,409,001
<b>Annual</b>														
2009	137,031	35,766	44,303	922,040	122,838	2,324	54,593	47,155	-2,238	171,411	-15,279	459,718	63,266	1,187,097
2010	127,149	15,131	42,730	1,045,835	130,913	2,023	58,574	44,294	778	154,787	-35,430	424,288	47,934	1,235,031
2011	129,485	13,231	47,775	1,057,250	136,005	1,230	55,735	43,481	2,546	151,014	-22,477	402,594	47,472	1,271,078
2012	130,096	11,503	41,979	1,077,256	139,107	847	55,258	46,567	743	101,773	-16,569	386,025	69,257	1,340,893
2013 YTD	145,587	13,800	48,015	1,090,057	136,191	1,786	57,364	46,860	4,107	101,549	-15,239	370,786	67,466	1,409,001
<b>% Change YoY</b>														
2009	-41%	-194%	-63%	16%	-7%	-43%	3%	-22%	-133%	-4%	-143%	-3%	21%	6%
2010	-7%	-58%	-4%	13%	7%	-13%	7%	-6%	-135%	-10%	132%	-8%	-24%	4%
2011	2%	-13%	12%	1%	4%	-39%	-5%	-2%	227%	-2%	-37%	-5%	-1%	3%
2012	0%	-13%	-12%	2%	2%	-31%	-1%	7%	-71%	-33%	-26%	-4%	46%	5%
2013 YTD	22%	24%	23%	1%	8%	NM	4%	10%	NM	1%	24%	-5%	9%	6%

Source: BOE, Datastream, Citi Research

Figure 2. Summary of Housing Market Trends – Sharp Improvement in Prices, Confidence and Approvals in 4Q13

	House Prices (YoY, % Change)		RICS Survey	Housing Transactions	Mortgage Approvals
	Halifax	Nationwide	Balance	(000's)	(000's)
<b>Recent Monthly Trends</b>					
Jan-13	1.0%	0.0%	-4.0	54	37248
Feb-13	2.1%	0.0%	-6.2	56	45103
Mar-13	0.5%	0.8%	0.0	68	55510
Apr-13	3.7%	0.9%	3.2	62	61829
May-13	3.8%	1.1%	6.0	78	68683
Jun-13	4.2%	1.9%	21.7	78	65188
Jul-13	5.7%	3.9%	36.4	85	70221
Aug-13	6.1%	3.5%	39.9	91	64226
Sep-13	6.6%	5.0%	52.9	80	67172
Oct-13	8.7%	5.8%	56.7	89	75751
Nov-13	8.2%	6.5%	58.4	92	71888
Dec-13	5.7%	8.4%	NA	NA	NA
<b>Annual (Period End)</b>					
2008			-74.4	750	515
2009			28.9	736	597
2010			-37.5	762	575
2011			-16.4	748	593
2012			-0.5	803	610
<b>Growth Rates (YoY)</b>					
2008	-18.8%	-15.9%		2%	-14%
2009	5.1%	5.9%		-2%	16%
2010	-3.2%	0.1%		4%	-4%
2011	-2.3%	1.0%		-2%	3%
2012	0.3%	0.8%		7%	3%
Current	5.7%	8.4%		4%	12%

Source: Citi Research, Datastream

### Asset Spreads: Front-Book Pressure; Back-Book Resilient

Figure 3. Summary of Pricing Trends — Front-Book Spreads Trending Down, Back-Book SVRs Stable (%)

	Mortgages					Unsecured Lending			
	Fixed Rate Mortgages (75% LTV)			Variable Rate					
	2 Year	3 Year	5 Year	SVR	BRT	UPL - £5,000	UPL - £10,000	Credit Card	O/D
Recent Monthly Trends									
Jan-13	2.43%	2.67%	2.67%	3.88%	3.07%	11.83%	6.43%	17.11%	19.05%
Feb-13	2.22%	2.49%	2.51%	3.89%	3.10%	11.67%	6.40%	17.20%	19.06%
Mar-13	2.22%	2.51%	2.49%	3.85%	3.07%	11.32%	6.20%	17.20%	19.05%
Apr-13	2.24%	2.26%	2.56%	3.86%	3.06%	11.23%	6.16%	17.22%	19.05%
May-13	2.08%	2.30%	2.42%	3.89%	3.06%	11.29%	6.15%	17.36%	19.06%
Jun-13	1.96%	2.17%	2.30%	3.89%	3.07%	10.66%	6.13%	17.35%	19.06%
Jul-13	1.90%	2.08%	2.08%	3.88%	2.79%	10.42%	5.61%	17.40%	19.06%
Aug-13	1.82%	1.92%	1.88%	3.87%	2.77%	9.62%	5.69%	17.38%	19.05%
Sep-13	1.73%	1.85%	1.73%	3.86%	2.70%	9.81%	5.64%	17.39%	19.05%
Oct-13	1.63%	1.76%	1.61%	3.87%	2.66%	9.87%	5.76%	17.39%	19.05%
Nov-13	1.56%	1.71%	1.52%	3.91%	2.53%	10.40%	5.26%	17.63%	19.04%
Dec-13	1.55%	1.75%	1.53%	3.90%	2.41%	9.77%	5.23%	17.62%	19.03%
3 Month Chg	-0.18%	-0.10%	-0.20%	0.04%	-0.29%	-0.04%	-0.41%	0.23%	-0.02%

#### Annual Trends

2008	0.67%	0.68%	0.69%	1.18%	0.37%	5.10%	2.98%	10.09%	12.07%
2009	2.10%	1.99%	2.07%	2.60%	2.52%	11.24%	8.69%	14.44%	17.32%
2010	2.25%	2.49%	2.56%	3.29%	2.96%	12.71%	9.94%	15.93%	18.32%
2011	1.83%	2.24%	2.27%	3.20%	2.46%	14.10%	8.42%	15.93%	18.46%
2012	2.47%	2.81%	2.76%	3.34%	2.72%	12.31%	6.87%	16.40%	18.66%
<b>2013 YTD</b>	<b>1.94%</b>	<b>2.12%</b>	<b>2.11%</b>	<b>3.88%</b>	<b>2.86%</b>	<b>10.66%</b>	<b>5.89%</b>	<b>17.36%</b>	<b>19.05%</b>
<b>2013 Avg YTD vs 2012</b>	<b>-0.53%</b>	<b>-0.68%</b>	<b>-0.65%</b>	<b>0.54%</b>	<b>0.14%</b>	<b>-1.65%</b>	<b>-0.98%</b>	<b>0.95%</b>	<b>0.39%</b>

Source: BoE, DataStream, Citi Research. Note: Fixed and discount mortgage spreads over corresponding rolling IR swap rate at matched maturity, SVR (Standard Variable Rate) and BRT (Base Rate Tracker) mortgage spreads over 3M LIBOR. Unsecured lending spreads over 3M LIBOR.

### Deposit Spreads: Deposit Rates Stabilized at the End of 2013

Figure 4. Summary of Pricing Trends — New Time Deposit Spreads Have Started To Stabilize (%)

	New	Outstanding Household Deposits				Business Deposits	
	Time Deposits	Instant Access	Time	Cash ISA	Fixed Rate Bond	Sight	Time
<b>Recent Monthly Trends</b>							
Dec-12	-1.61%	0.02%	-2.35%	-0.38%	-1.68%	0.01%	-0.99%
Jan-13	-1.64%	-0.04%	-2.28%	-0.35%	-1.41%	0.00%	-0.95%
Feb-13	-1.70%	-0.01%	-2.27%	-0.35%	-1.48%	-0.02%	-0.92%
Mar-13	-1.62%	-0.05%	-2.29%	-0.31%	-1.25%	0.01%	-0.87%
Apr-13	-1.81%	-0.05%	-2.18%	-0.31%	-1.23%	-0.02%	-0.80%
May-13	-1.56%	-0.06%	-2.13%	-0.19%	-1.19%	0.00%	-0.74%
Jun-13	-1.35%	-0.06%	-2.08%	-0.18%	-0.99%	0.00%	-0.69%
Jul-13	-1.29%	0.05%	-2.07%	-0.11%	-1.12%	0.00%	-0.65%
Aug-13	-1.21%	0.06%	-1.97%	-0.11%	-1.06%	0.00%	-0.62%
Sep-13	-1.21%	0.06%	-1.99%	-0.12%	-1.00%	-0.01%	-0.59%
Oct-13	-1.21%	0.06%	-1.90%	-0.17%	-0.97%	-0.01%	-0.54%
Nov-13	-1.19%	0.06%	-1.93%	-0.18%	-0.97%	0.00%	-0.52%
<b>Change in 3 Months</b>	<b>0.02%</b>	<b>0.00%</b>	<b>0.04%</b>	<b>-0.07%</b>	<b>0.09%</b>	<b>0.00%</b>	<b>0.12%</b>

#### Annual (Averages)

2008	-0.61%	2.39%	-0.37%	0.21%	-0.70%	0.88%	-0.38%
2009	-1.74%	0.45%	-2.17%	0.07%	-2.14%	0.14%	-0.93%
2010	-1.86%	0.31%	-2.06%	0.00%	-1.93%	0.07%	-0.62%
2011	-2.26%	0.19%	-2.18%	-0.04%	-2.20%	0.07%	-0.81%
2012	-2.32%	0.02%	-2.35%	-0.85%	-2.00%	0.05%	-1.03%
<b>2013 YTD</b>	<b>-1.52%</b>	<b>-0.02%</b>	<b>-2.16%</b>	<b>-0.24%</b>	<b>-1.22%</b>	<b>0.00%</b>	<b>-0.78%</b>
<b>Latest vs 2012 Avg</b>	<b>1.10%</b>	<b>0.04%</b>	<b>0.38%</b>	<b>0.74%</b>	<b>0.94%</b>	<b>-0.05%</b>	<b>0.41%</b>

Source: BoE, DataStream, Citi Research. Note: Spreads over UK Base Rate. For business deposits, the rates are those charged by UK resident monetary financial institutions to Private Non Financial Corporations (PNFC).

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# UK Banks Big Picture

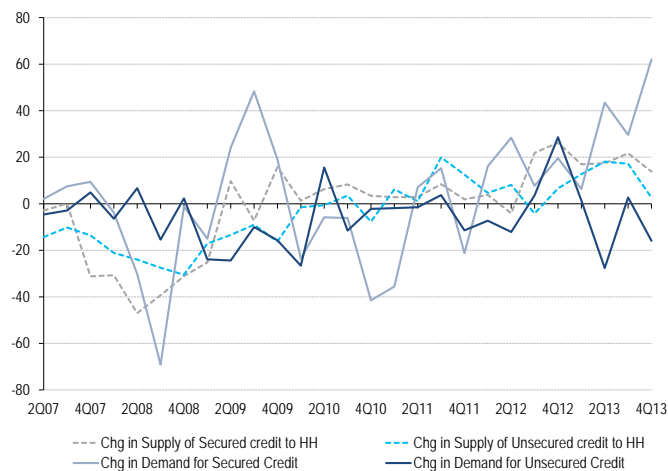
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## I) Volumes

### Supply vs Demand

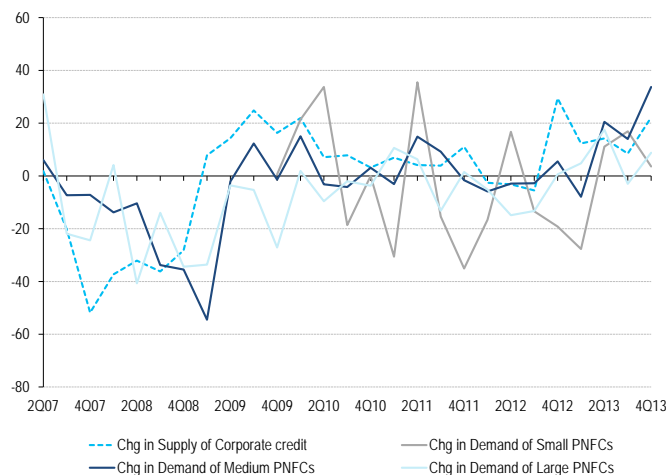
- Demand for secured credit continues to accelerate.
- Mixed supply trends.

Figure 5. BoE Household Credit Conditions Survey



Source: BoE, Citi Research

Figure 6. BoE Corporate Credit Conditions Survey



Source: BoE, Citi Research

## Mortgage Lending

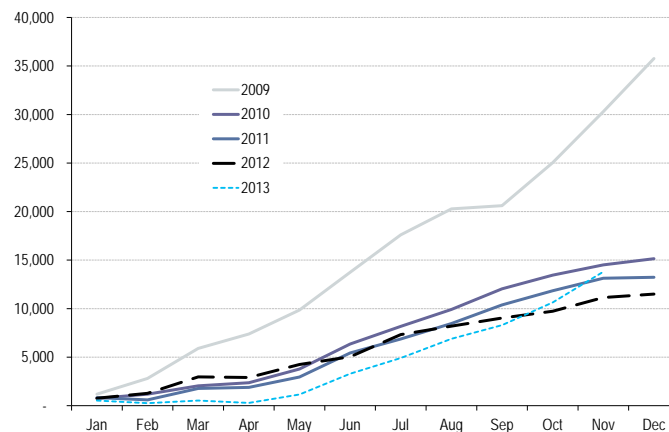
- The outstanding mortgage balance had grown by c1.3% yoy at Nov 2013.
- Cumulative gross lending of £145.6bn for 11 months to Nov 2013 was c22% higher than in the same period in 2012. Cumulative net mortgage lending reached £13.8bn, c24% higher than the same period in 2012.
- Barclays and Nationwide captured market share in 2013.

Figure 7. YoY Growth in Outstanding Mortgage Balances



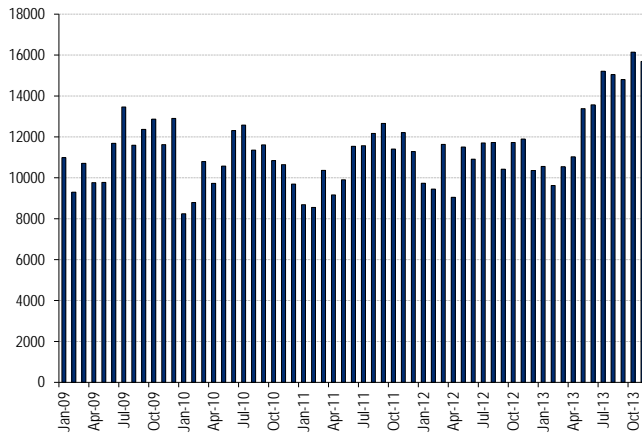
Source: BoE, Citi Research. Note: Adjustment made to Jan 10 – Jan 11 period to account for securitizations addition and to Apr09-Mar10 period for assets moved from covered bond entities.

Figure 8. Cumulative Net Mortgage Lending (Pounds in Millions)



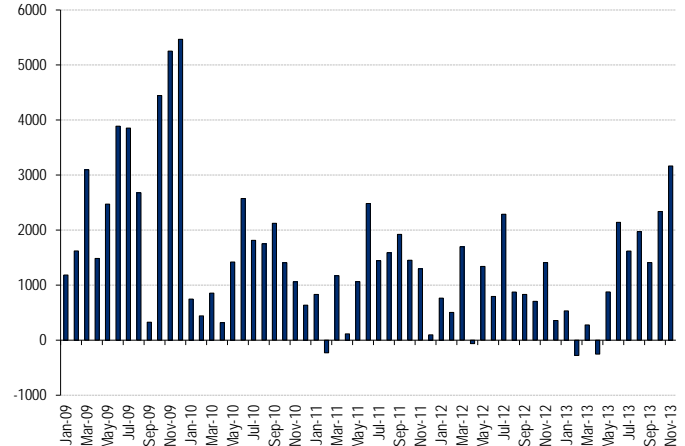
Source: BoE, Citi Research

Figure 9. Gross Mortgage Lending (Pounds in Millions)



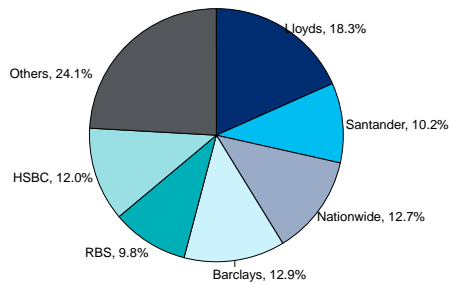
Source: BoE, Citi Research

Figure 10. Net Mortgage Lending (Pounds in Millions)



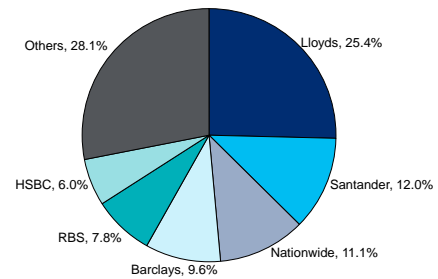
Source: BoE, Citi Research

Figure 11. Market Share of UK Gross Mortgage Lending, 2012 (%)



Source: Company Reports

Figure 12. Market Share of UK Mortgage Lending Outstanding, 2012 (%)

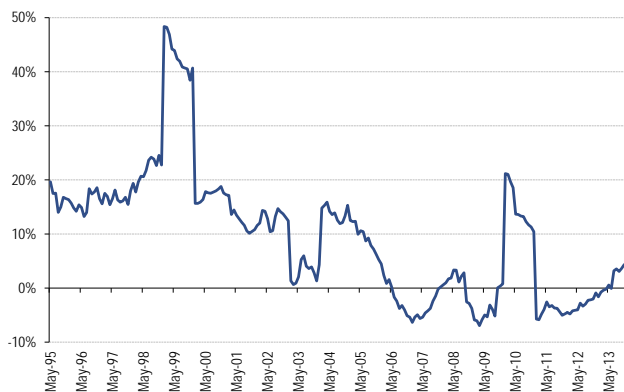


Source: Company Reports

## Unsecured Lending

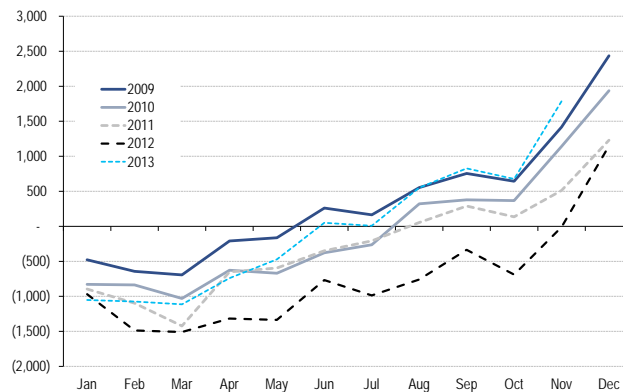
- Unsecured loans volumes continued to improve in recent months. Cumulative net unsecured personal loans and overdraft lending in the first 11 months of 2013 totaled £4.1bn, versus £0.1bn during the same period in 2012.

Figure 13. Credit Card Lending, 1995-2013



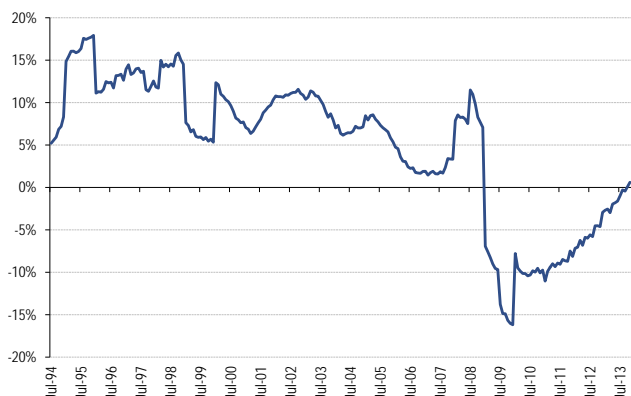
Source: BoE, Citi Research. Note: Adjusted for securitization adjustment in Jan 2010

Figure 14. Cumulative Net Credit Card Lending



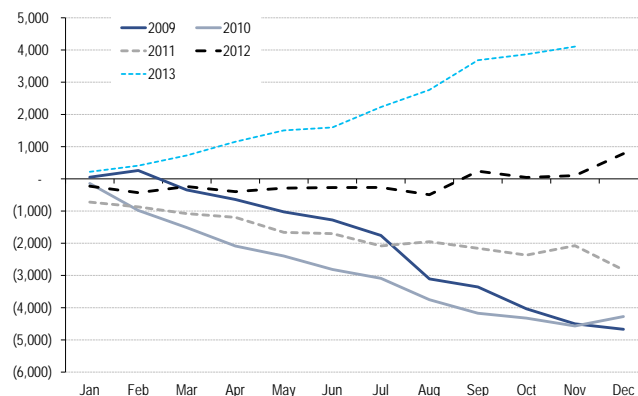
Source: BoE, Citi Research

Figure 15. Unsecured Personal Loans & Overdraft Lending, 1994-2013



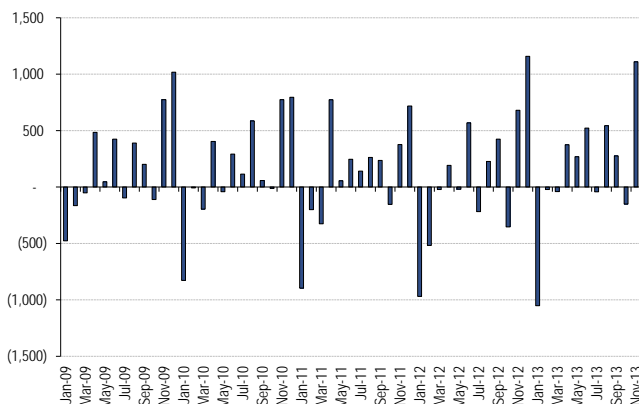
Source: BoE, Citi Research.

Figure 16. Cumulative Net Unsecured Personal Loans and Overdrafts



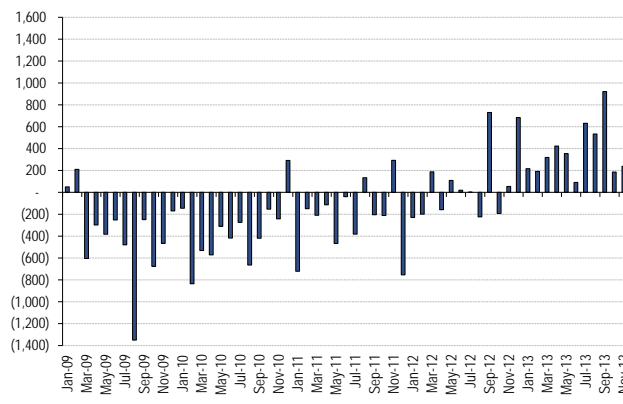
Source: BoE, Citi Research.

Figure 17. Net Credit Card Lending



Source: BoE, Citi Research

Figure 18. Net Unsecured Personal Loans and Overdrafts Lending



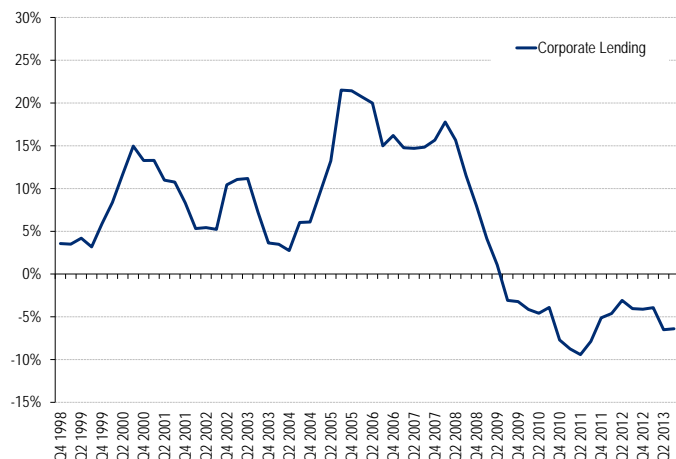
Source: BoE, Citi Research



## Corporate Lending

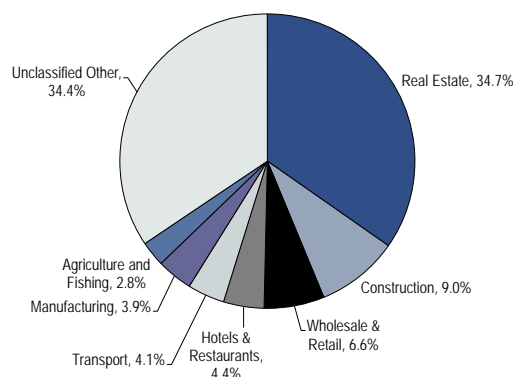
- Having risen to a 10-year high in 2008, loan growth to non-financial corporates has declined substantially and remains in negative territory.
- The contraction has been driven mainly by construction and real estate lending, which together make up almost half of corporate loans. RBS has the greatest exposure to UK commercial property lending.

Figure 19. UK Corporate Lending — Sector Growth Rate, 2000-2013



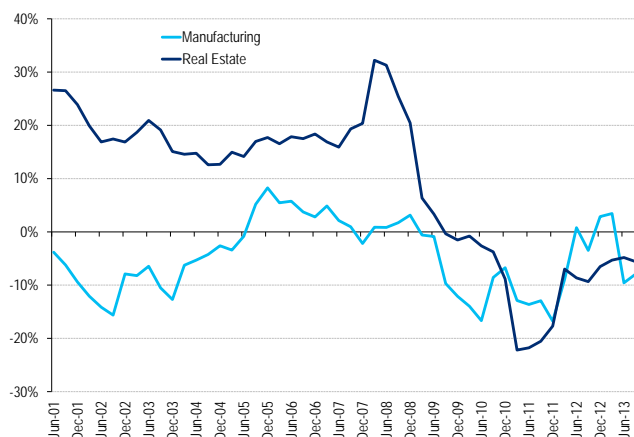
Source: Datastream, Citi Research

Figure 20. UK Corporate Lending (Ex. Fins) — Loan Split, Sep 2013



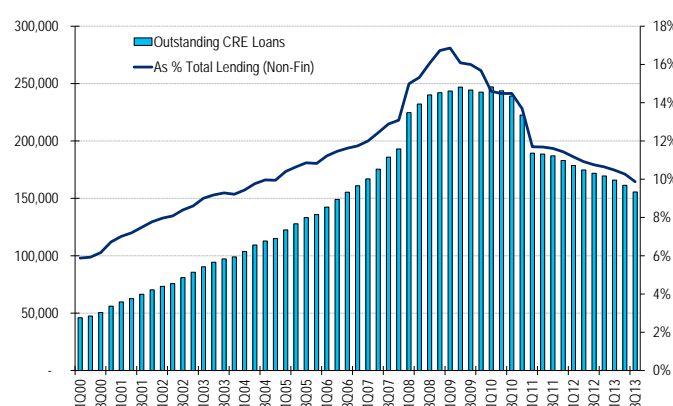
Source: Datastream, Citi Research

Figure 21. UK Corporate Lending — CRE vs Manufacturing, 2000-2013



Source: Datastream, Citi Research

Figure 22. Bank Lending to UK Real Estate (£m)



Source: BoE, DataStream

Figure 23. UK Banks – Exposure to UK Property, end-2012 (£bn)

	UK Property Loans	Total Property Loans	UK Non-Financial Corporate Loans	Total Non-Financial Corporate Loans	Total Group Loans	UK Property % UK PNFC	UK Property % Group Loans
RBS	53.7	72.2	113.8	175.5	484.5	47%	11%
Lloyds	30.7	52.4	nd	105.3	540.1	50%*	6%
Barclays	23.8	31.5	57.7	105.7	490.6	41%	5%
HSBC	19.0	73.3	131.3	374.2	633.6	14%	3%
<b>Total</b>	<b>127.2</b>	<b>229.4</b>	<b>na</b>	<b>760.6</b>	<b>2,148.8</b>	<b>36%</b>	<b>6%</b>

Source: Company Reports and Citi Research Estimates. Note HSBC has a wider definition of lending to private non-financial companies (PNFCs). \* Lloyds based on Group property and Group corporate loans, as UK corporate not disclosed separately

## Retail Deposits

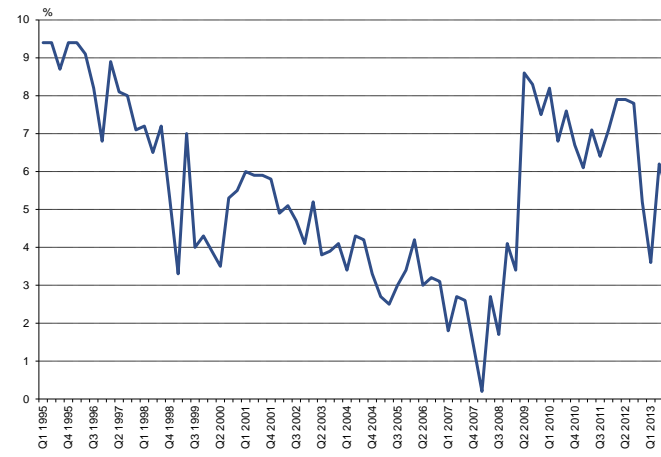
- Outstanding M4 retail deposits grew to £1,408bn by Nov 2013, +6% yoy.
- The cumulative net change in M4 retail deposits in the 11 months to Nov 2013, at £73bn, is up 8% on the same period in 2012.
- The household savings ratio has declined sharply from 2012 levels, as consumer confidence and spending have generally improved.
- In 1H13, Barclays recorded the highest deposit growth among the UK listed banks even after adjusting for the ING acquisition. In contrast, Santander UK has seen broadly flat growth yoy, hindered by corporate deposit outflows.

Figure 24. Growth in M4 Retail Deposits Outstanding, 1996-2013



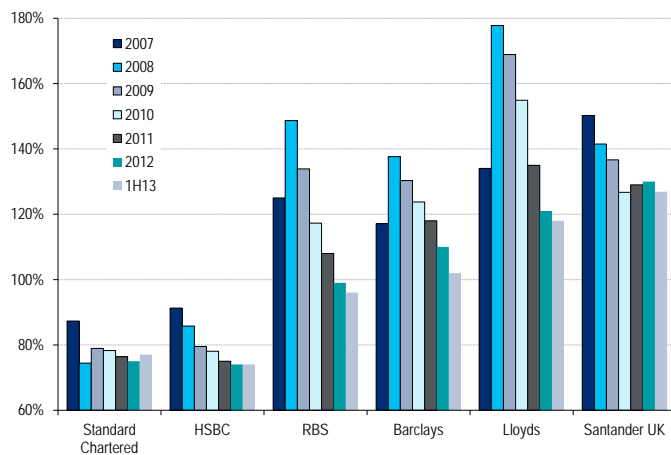
Source: BoE, Citi Research

Figure 25. UK Household Savings Ratio, 1995 – 2013 (%)



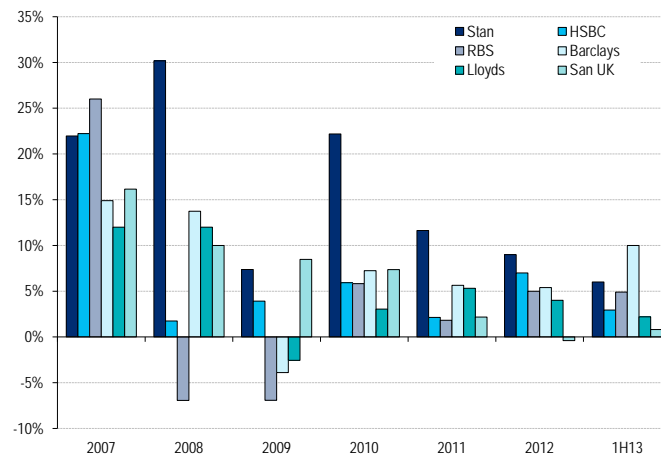
Source: ONS, DataStream; Note: Definition = Household savings divided by household disposable income

Figure 26. UK Banks – Loan to Deposit Ratios



Banco Santander (SAN.MC; €6.68; 2H)  
Source: Company Report, Citi Research

Figure 27. Group Deposit Growth by Bank, 2007-1H13



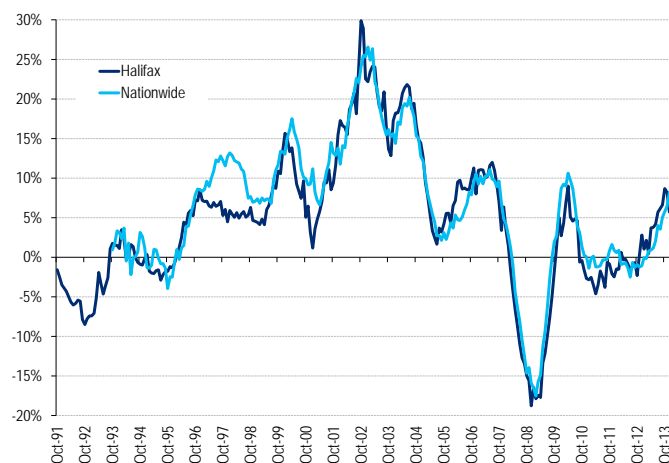
Source: Company Reports and Citi Research Estimates Note: Adjusted for acquisitions & disposals, but not for FX movements.

## II) Housing Market

### House Prices

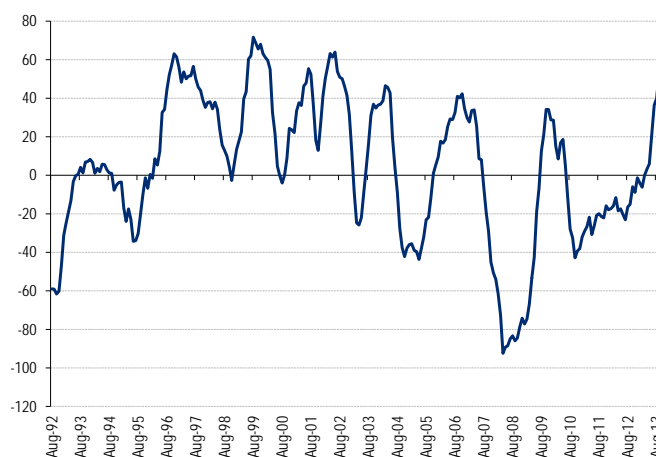
- At mid-Dec the Halifax house price index was up 5.7% yoy, while Nationwide's index was up 8.2% yoy. Further appreciation looks likely in the near term.
- At mid-Nov, the net balance of one hundred chartered surveyors reporting house price increases was 58% more than those reporting house price declines. This is the highest reading in the past decade.
- Two key drivers of house prices: (i) base rates; (ii) mortgage approvals. Citi's economists expect base rates to rise in early-2015 (maybe late-2014), so we see no impact near term. Meanwhile, mortgage approvals continue to accelerate.

Figure 28. Halifax and Nationwide House Price Indices, 1991-2013



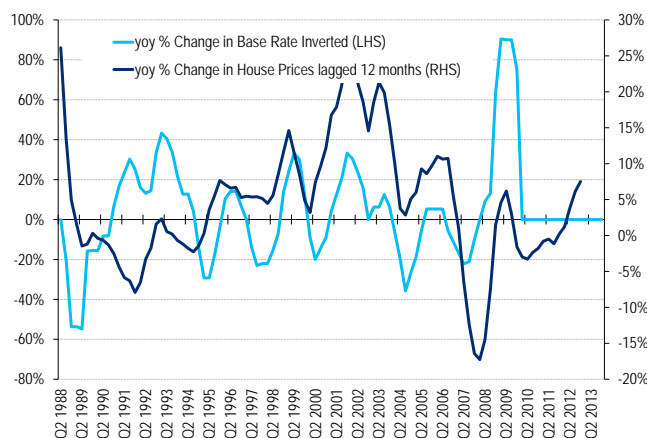
Source: Datastream, Citi Research

Figure 29. RICS Housing Survey – % Excess of Surveyors Reporting Rising/Falling Prices\*



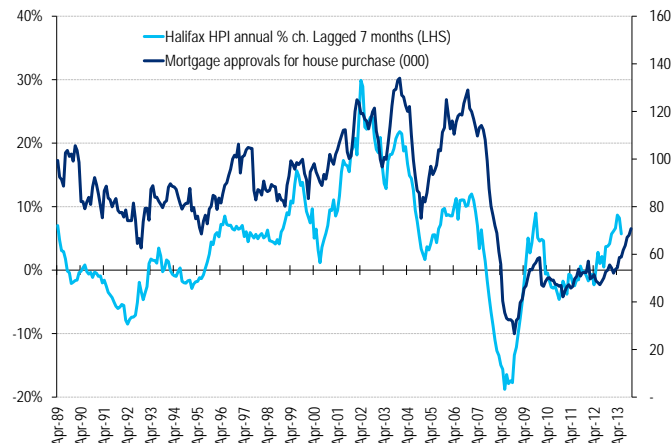
Source: Datastream, Citi Research\* For example, if the value is -25% then 25% more surveyors reported falling house prices than rising house prices.

Figure 30. Annual Change in UK Interest Rates vs House Price Inflation (Lagged 12 Months), 1988-2013 (%)



Source: Datastream, Citi Research

Figure 31. Mortgage Approvals for House Purchase vs House Price Inflation (Lagged Seven Months), 1989-2013 (%)

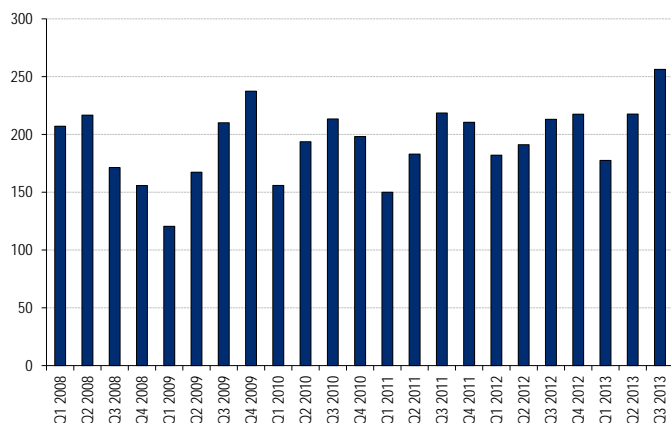


Source: Datastream, Citi Research

## Housing Transactions

- The average number of property transactions in England saw a rise in 3Q13 to 256,320 (from 217,620 in 2Q13). We expect this to continue to improve.

Figure 32. No. of Housing Transactions in England, 4Q07-3Q13 ('000s)

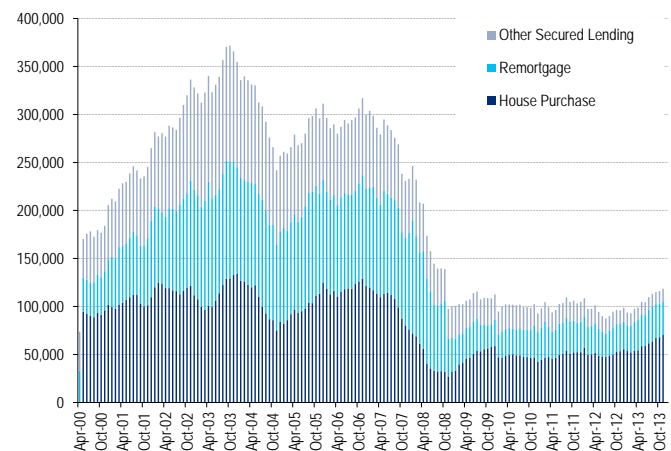


Source: Datastream, Citi Research

## Approvals for House Purchase

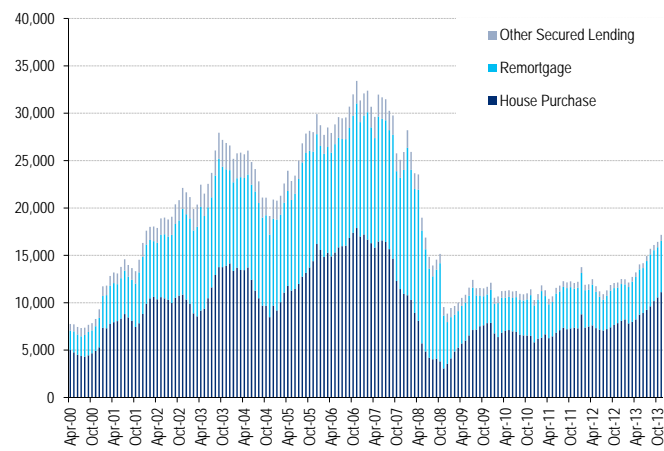
- The number of mortgage approvals, an indicator of future market activity, remains at low levels but has improved in recent months.
- The value of approved loans has been trending up at a faster pace than volumes.

Figure 33. Number of Loans Approved for House Purchase, 2000-2013



Source: Datastream, Citi Research

Figure 34. Value Loans Approved for House Purchase (£m), 2000-2013



Source: Datastream, Citi Research

### III) Asset Quality

#### Housing Affordability, Unemployment & Economics

- The average UK house price to earnings ratio has been inching up recently (4.7x at Dec 2013), but is significantly below the peak of 5.8x in July 2007.
- As interest rates have declined, this has made mortgages more affordable: mortgage payments as a percentage of pre-tax income peaked at c21% in the 2008, before falling sharply to the latest level of c15%.
- The UK unemployment rate has been slightly declining compared with the 8%+ levels seen in the recent past.

Figure 35. House Price to Earnings Ratio, 2004-13



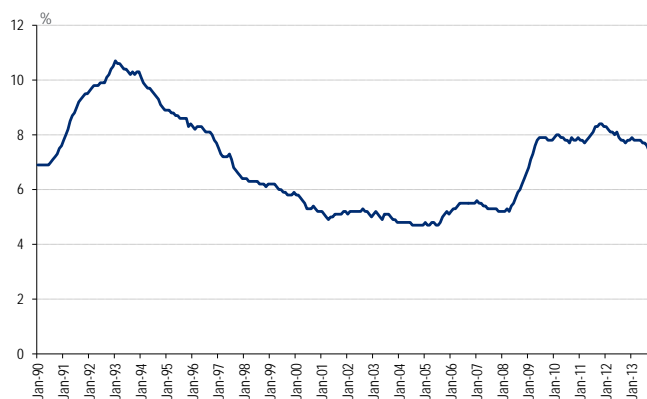
Source: DataStream, Halifax

Figure 36. Mortgage Payments as % of Post-Tax Income, 2004-2013



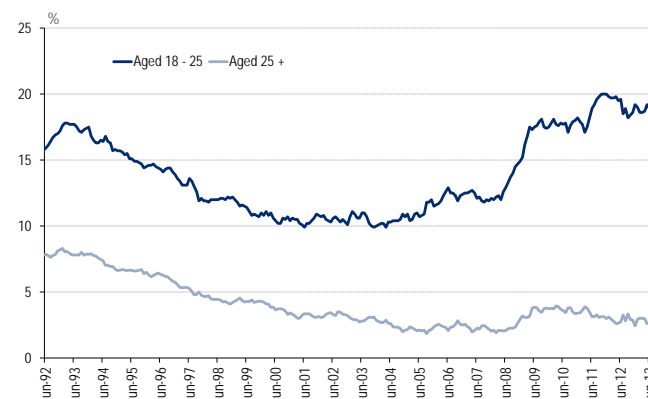
Source: DataStream, Barclays/Woolwich

Figure 37. UK Unemployment - Total, 1990-2013 (%)



Source: ONS, Datastream

Figure 38. UK Unemployment – Aged 18-24 and 25+, 1992-2013 (%)



Source: ONS, Datastream, Citi Research Estimates

Figure 39. United Kingdom — Economic Forecasts, 2013-2015F

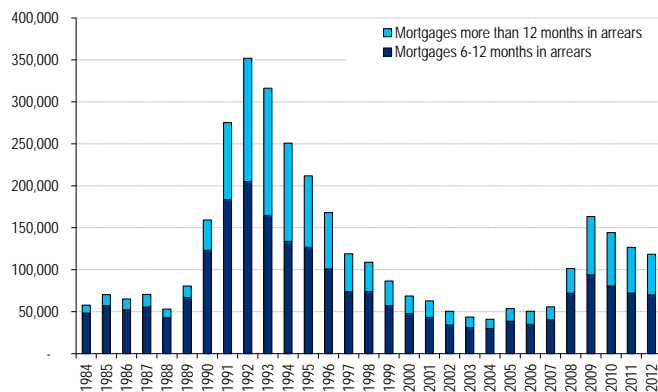
					2013		2014				2015	
		2013F	2014F	2015F	3Q	4QF	1QF	2QF	3QF	4QF	1QF	2QF
Real GDP	YoY	1.5%	3.2%	3.2%	1.6%	2.7%	3.0%	3.0%	3.2%	3.4%	3.4%	3.4%
Unemployment Rate	%	7.7	7.3	6.4	7.6	7.6	7.6	7.5	7.3	7.0	6.7	6.5
CPI Inflation	YoY	2.6	2.0	1.9	2.7	2.2	2.0	2.0	1.9	1.9	1.9	1.8
Public Debt	% of GDP	93.1	95.1	95.4								

Note: Fiscal deficit shown excluding financial interventions, RM and APF transfers. F Citi forecast. YoY Year-to-year growth rate. Sources: ONS and Citi Research forecasts

## Mortgage Arrears & Possessions

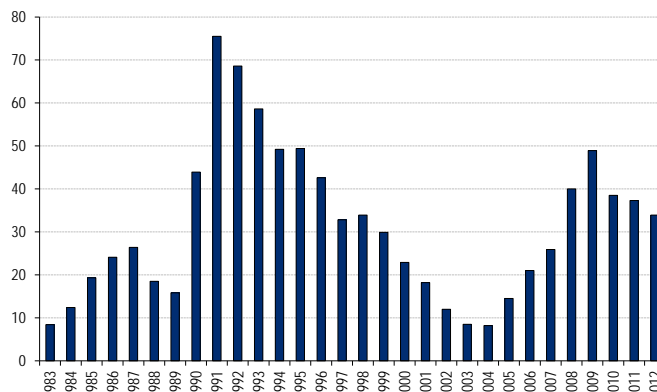
- The number of mortgages in arrears declined 6% in 2012, to 118,400. This trend has continued into 2013, with another notable decline in 3Q13.
- Properties taken into possession decreased 9% in 2012 to 33,900.
- Mortgage write-offs have fallen from recent highs.

Figure 40. Number of Mortgage Arrears, 1984-2012



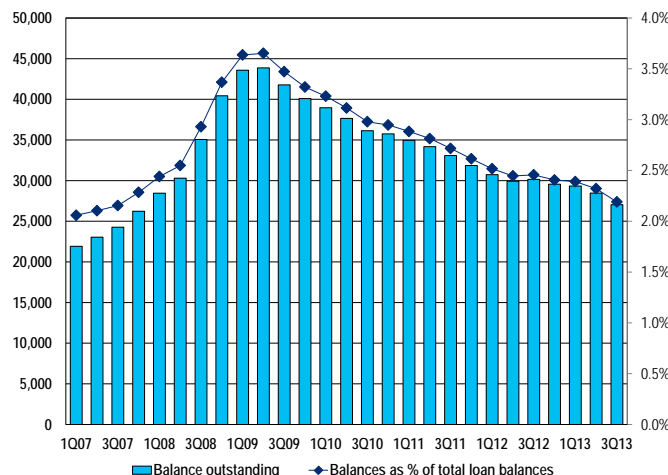
Source: Datastream, Citi Research

Figure 41. Mortgage Possessions, 1983-2012



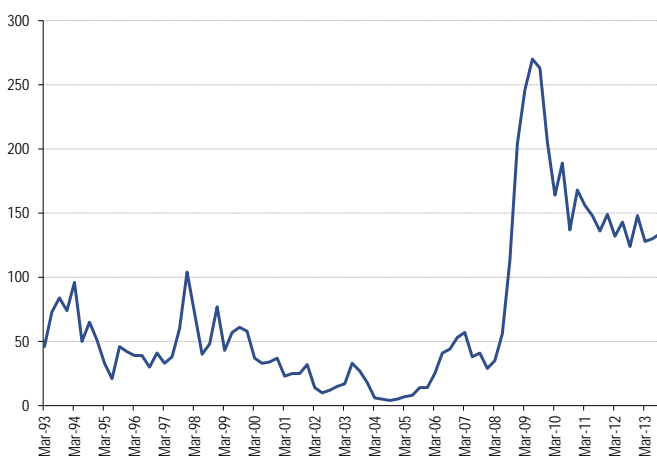
Source: Datastream, Citi Research

Figure 42. UK Mortgage Arrears, 1Q07-3Q13 (£m)



Source: MLAR

Figure 43. UK Mortgage Write-Offs, 1993-2013 (£m)

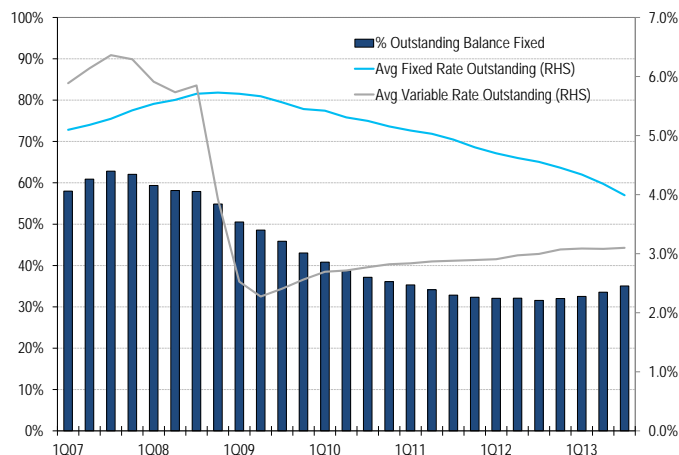


Source: Bank of England. Note: Includes Banks and Building Societies

## Mortgage Market Dynamics

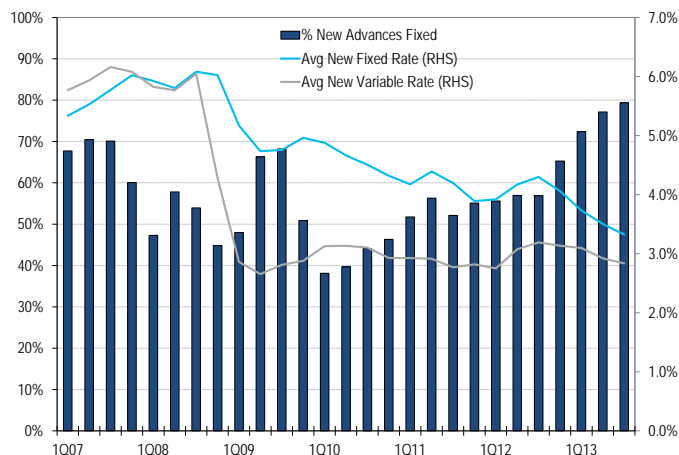
- The proportion of outstanding mortgage balances on fixed rates has declined from 61% at June 2007 to 35% at Sep 2013, but there has recently been an uptick in borrowers seeking fixed rate mortgages once more.
- The availability of higher-LTV mortgages had declined substantially since 2007, but has started to increase again recently.

Figure 44. UK Mortgage Outstanding Balances – Fixed vs Floating



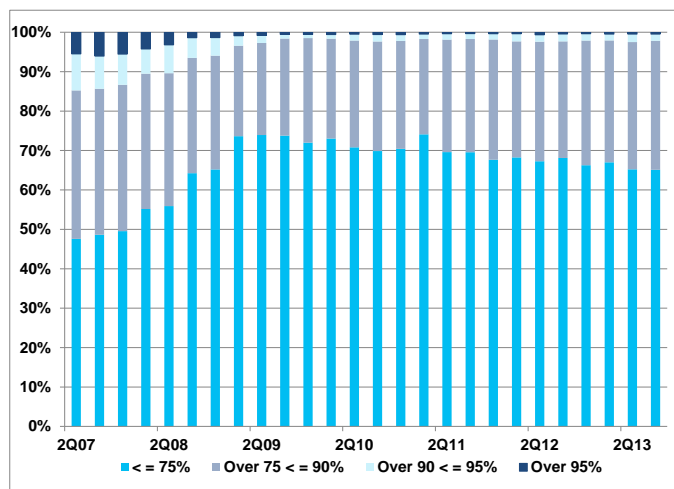
Source: MLAR

Figure 45. New UK Mortgage Lending – Fixed vs Floating



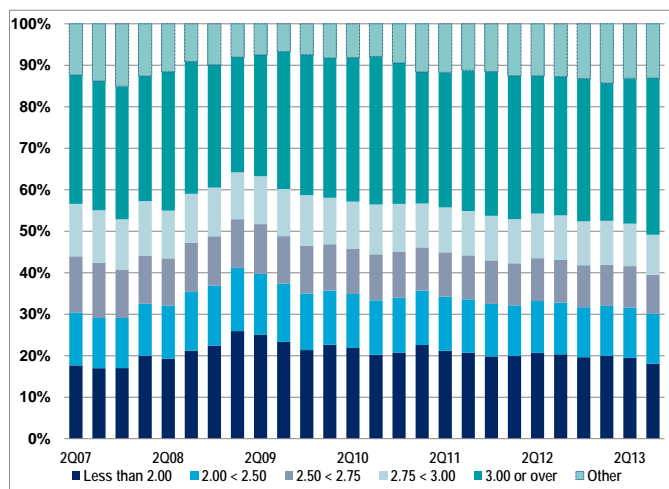
Source: MLAR

Figure 46. LTV of Residential Mortgage Advances



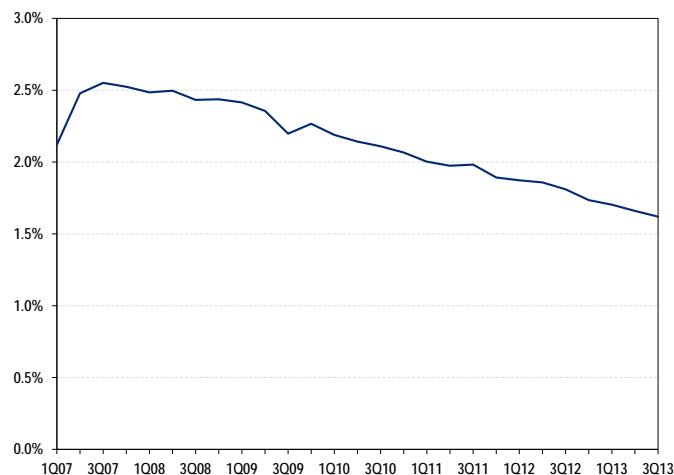
Source: MLAR

Figure 47. Income Multiple of Residential Mortgage Advances



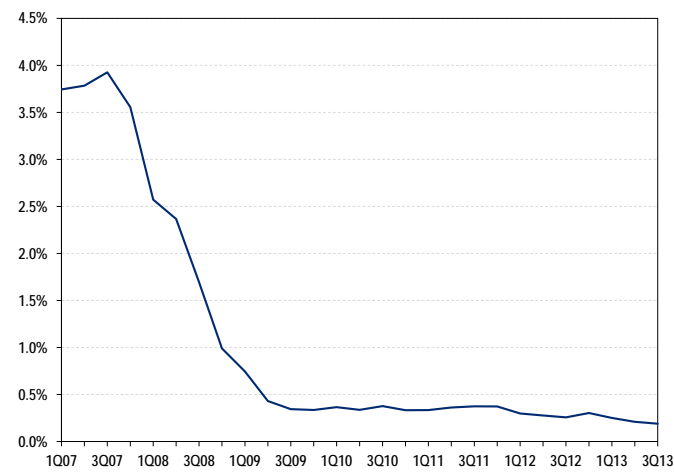
Source: MLAR

Figure 48. Impaired Credit History of Regulated Mortgages (Balances)



Source: MLAR

Figure 49. Impaired Credit History of Regulated Mortgages (Advances)



Source: MLAR

## Corporate

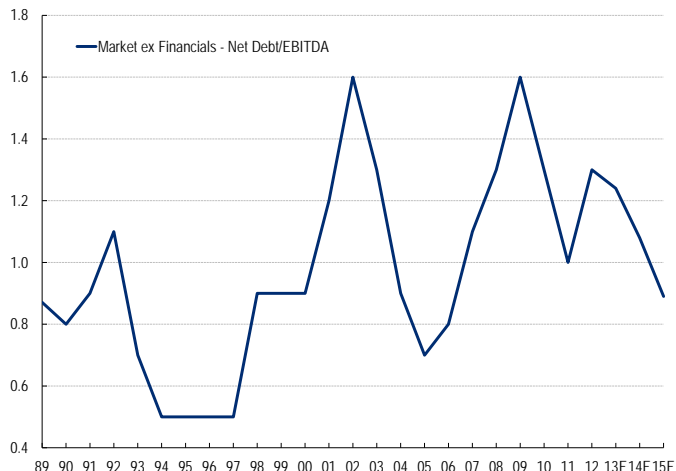
- UK corporate earnings growth has been weak over the past 12-18 months.
- Company insolvencies have trended downwards since 1Q12.
- Approx. c32% of company insolvencies are attributable to the Construction & Real Estate. The Wholesale & Retail sector is a further c10%.

Figure 50. UK Corporate Earnings Index, 2008-13



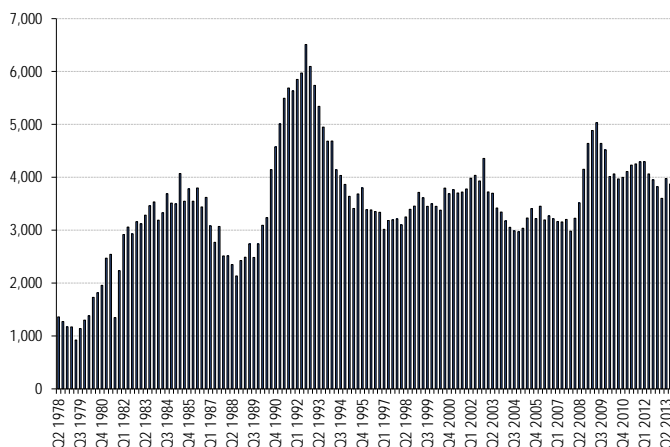
Source: Citi Research. Note: Based on FTSE 350 ex-financials.

Figure 51. UK Net Debt / EBITDA, 1989-2015E



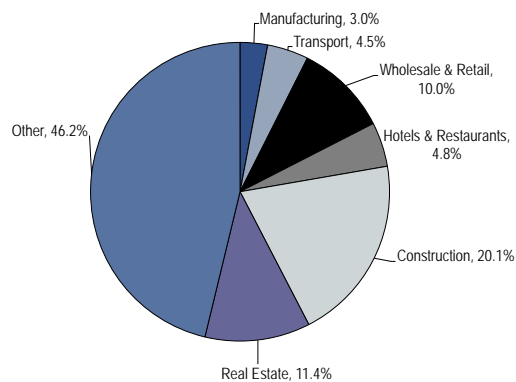
Source: Citi Research. Note: Based on FTSE 350 ex-financials.

Figure 52. UK Company Insolvencies, 1978-2013



Source: Datastream, Citi Research

Figure 53. Company Insolvencies by Industry, YTD 2013



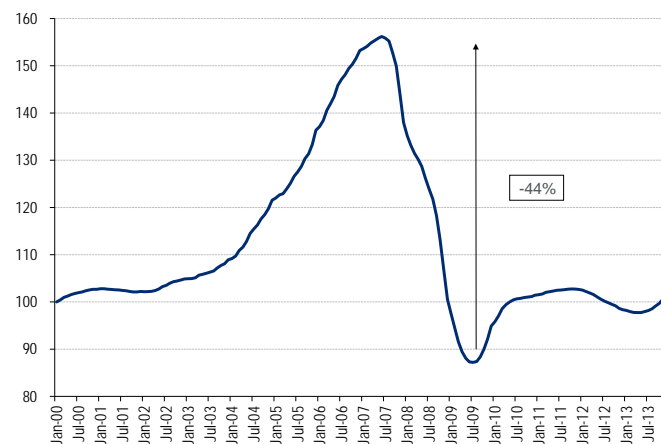
Source: The Insolvency Service, Citi Research



## Commercial Real Estate

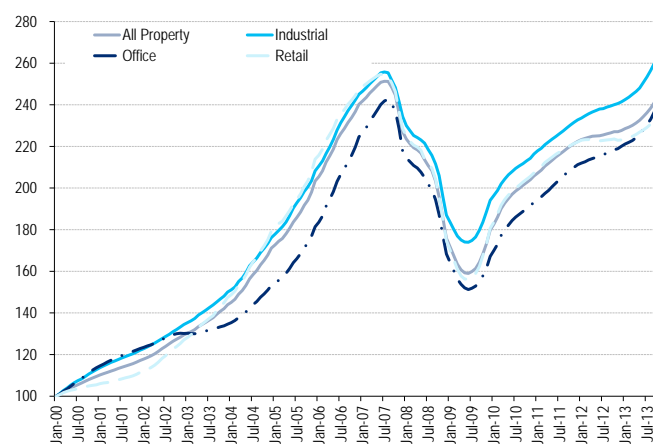
- In 2007-09, UK CRE asset values fell 44% peak-to-trough. After a recovery in 2010-11 we saw further declines in 2012, but values are now rising once more.
- Total returns continue to increase as overall rental yields have remained strong. Total returns are now close to previous peaks.

Figure 54. UK CRE Capital Return, 2000 - 2013



Source: IPD, DataStream

Figure 55. UK CRE Total Return, 2000 - 2013

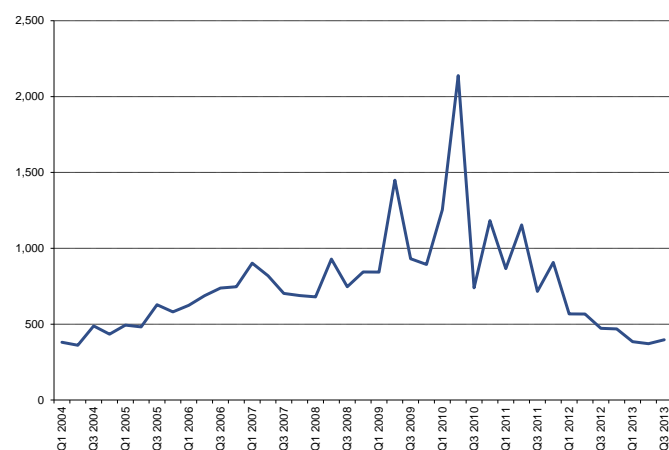


Source: IPD, DataStream

## Credit Cards

- UK credit card write-offs have continued to decline from their peak in 2Q10.
- This decline is mainly a function of greater revolvers.

Figure 56. UK Credit Card Write-Offs, 1Q93-3Q13 (£m)



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Source: DataStream, BoE. Note: Includes Banks and Building Societies

## IV) Asset Pricing

### Household Secured

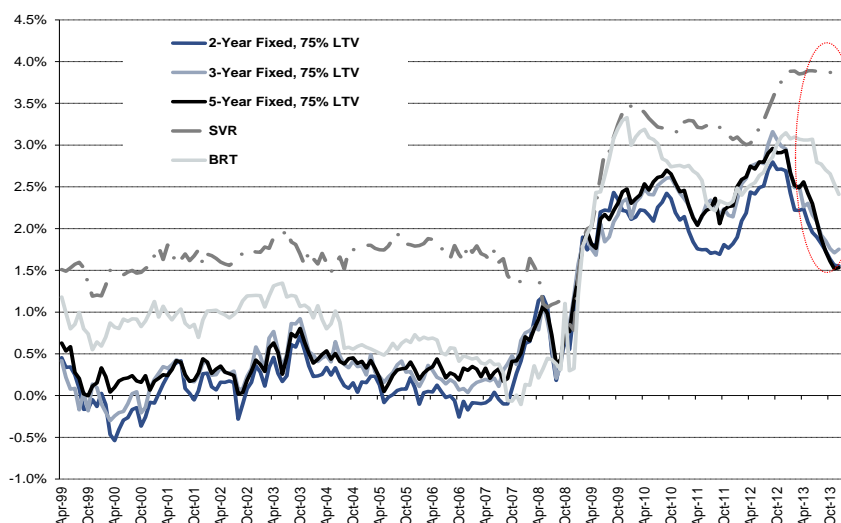
- Rates on the 'front book' (75% LTV) have declined by 14bps (2 yr fixed) and 7bps (5 yr fixed) over the past three months. This front-book compression will, however, take some time to feed through into interest margins.
- The average Standard Variable Rate — the 'back book' — has instead gone up by 6bps over the past 3 months, to an average of 4.41%.

Figure 57. Mortgage Market 'Front' (Fixed Rate) and 'Back' Book (SVR) Outstanding Rates and Spreads

	Mortgage Rates					Pricing Rates				Spread				
	Fixed Rate Mortgages (75% LTV)					3M Rolling IR Swap Rate				Fixed Rate Mortgages (75% LTV)				
	2 Year	3 Year	5 Year	SVR	BRT	2 Year	3 Year	5 Year	3M LIBOR	2 Year	3 Year	5 Year	SVR	BRT
Jan-13	3.11%	3.43%	3.71%	4.38%	3.57%	0.68%	0.76%	1.04%	0.50%	2.43%	2.67%	2.67%	3.88%	3.07%
Feb-13	2.92%	3.28%	3.62%	4.38%	3.59%	0.70%	0.79%	1.11%	0.49%	2.22%	2.49%	2.51%	3.89%	3.10%
Mar-13	2.90%	3.30%	3.63%	4.34%	3.56%	0.68%	0.79%	1.14%	0.49%	2.22%	2.51%	2.49%	3.85%	3.07%
Apr-13	2.87%	2.98%	3.61%	4.35%	3.55%	0.63%	0.72%	1.05%	0.49%	2.24%	2.26%	2.56%	3.86%	3.06%
May-13	2.69%	3.00%	3.44%	4.38%	3.55%	0.61%	0.70%	1.02%	0.49%	2.08%	2.30%	2.42%	3.89%	3.06%
Jun-13	2.63%	2.95%	3.41%	4.38%	3.56%	0.67%	0.78%	1.11%	0.49%	1.96%	2.17%	2.30%	3.89%	3.07%
Jul-13	2.62%	2.96%	3.39%	4.37%	3.28%	0.72%	0.88%	1.31%	0.49%	1.90%	2.08%	2.08%	3.88%	2.79%
Aug-13	2.58%	2.87%	3.35%	4.36%	3.26%	0.76%	0.95%	1.47%	0.49%	1.82%	1.92%	1.88%	3.87%	2.77%
Sep-13	2.54%	2.91%	3.40%	4.35%	3.19%	0.81%	1.06%	1.67%	0.49%	1.73%	1.85%	1.73%	3.86%	2.70%
Oct-13	2.48%	2.89%	3.37%	4.36%	3.15%	0.85%	1.13%	1.76%	0.49%	1.63%	1.76%	1.61%	3.87%	2.66%
Nov-13	2.44%	2.91%	3.36%	4.41%	3.03%	0.88%	1.20%	1.84%	0.50%	1.56%	1.71%	1.52%	3.91%	2.53%
Dec-13	2.40%	2.91%	3.33%	4.41%	2.92%	0.85%	1.16%	1.80%	0.51%	1.55%	1.75%	1.53%	3.90%	2.41%
Chg in 3 Months	-0.14%	0.00%	-0.07%	0.06%	-0.27%	0.04%	0.10%	0.13%	0.02%	-0.18%	-0.10%	-0.20%	0.04%	-0.29%
Annual Trends														
2009	4.24%	4.67%	5.36%	4.05%	3.97%	2.15%	2.68%	3.29%	1.45%	2.10%	1.99%	2.07%	2.60%	2.52%
2010	3.76%	4.45%	5.21%	3.96%	3.64%	1.51%	1.96%	2.64%	0.68%	2.25%	2.49%	2.56%	3.29%	2.96%
2011	3.34%	4.06%	4.64%	4.06%	3.32%	1.51%	1.81%	2.37%	0.86%	1.83%	2.24%	2.27%	3.20%	2.46%
2012	3.54%	3.92%	4.13%	4.23%	3.60%	1.07%	1.12%	1.37%	0.89%	2.47%	2.81%	2.76%	3.34%	2.72%
2013 YTD	2.68%	3.03%	3.47%	4.37%	3.35%	0.74%	0.91%	1.36%	0.49%	1.94%	2.12%	2.11%	3.88%	2.86%
Latest vs '12 Avg	-1.14%	-1.01%	-0.80%	0.18%	-0.68%	-0.22%	0.04%	0.43%	-0.38%	-0.92%	-1.05%	-1.23%	0.56%	-0.31%
Latest vs Dec '12	-0.95%	-0.76%	-0.58%	0.06%	-0.74%	0.19%	0.44%	0.83%	0.00%	-1.14%	-1.20%	-1.41%	0.06%	-0.74%

Source: BoE, DataStream, Citi Research. Note: Fixed mortgage spreads calculated relative IR swap rate, SVR and BRT mortgage spreads relative to 3M LIBOR

Figure 58. 'Front Book' (Fixed Rate) and 'Back Book' (SVR) Mortgage Spreads



Source: BoE, DataStream, Citi Research. Note: Fixed mortgage spreads calculated relative to corresponding rolling IR swap rate at matched maturity, SVR and BRT mortgage spreads relative to 3M LIBOR

## Unsecured Consumer Credit

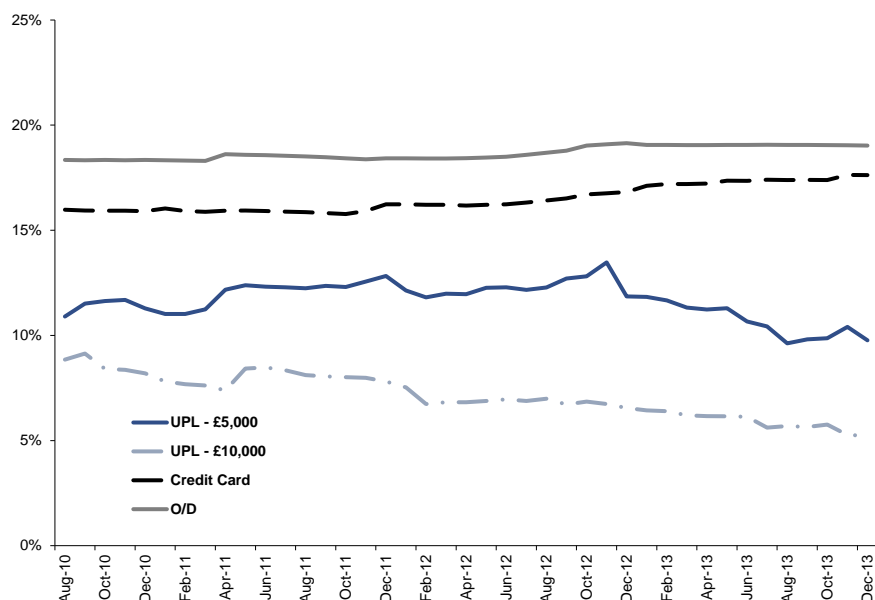
- Spreads on Unsecured Personal Loans (both £5,000 and £10,000) have recorded a decline in recent months, especially at the lower end.
- In contrast credit card spreads have shown an improvement.

Figure 59. Summary of Outstanding Unsecured Consumer Credit Rates & Spreads

	Consumer Rates				3M LIBOR	Spread			
	UPL - £5,000	UPL - £10,000	Credit Card	Overdraft		UPL - £5,000	UPL - £10,000	Credit Card	O/D
Jan-13	12.33%	6.93%	17.61%	19.55%	0.50%	11.83%	6.43%	17.11%	19.05%
Feb-13	12.16%	6.89%	17.69%	19.55%	0.49%	11.67%	6.40%	17.20%	19.06%
Mar-13	11.81%	6.69%	17.69%	19.54%	0.49%	11.32%	6.20%	17.20%	19.05%
Apr-13	11.72%	6.65%	17.71%	19.54%	0.49%	11.23%	6.16%	17.22%	19.05%
May-13	11.78%	6.64%	17.85%	19.55%	0.49%	11.29%	6.15%	17.36%	19.06%
Jun-13	11.15%	6.62%	17.84%	19.55%	0.49%	10.66%	6.13%	17.35%	19.06%
Jul-13	10.91%	6.10%	17.89%	19.55%	0.49%	10.42%	5.61%	17.40%	19.06%
Aug-13	10.11%	6.18%	17.87%	19.54%	0.49%	9.62%	5.69%	17.38%	19.05%
Sep-13	10.30%	6.13%	17.88%	19.54%	0.49%	9.81%	5.64%	17.39%	19.05%
Oct-13	10.36%	6.25%	17.88%	19.54%	0.49%	9.87%	5.76%	17.39%	19.05%
Nov-13	10.90%	5.76%	18.13%	19.54%	0.50%	10.40%	5.26%	17.63%	19.04%
Dec-13	10.28%	5.74%	18.13%	19.54%	0.51%	9.77%	5.23%	17.62%	19.03%
Chg in 3 Months	-0.02%	-0.39%	0.25%	0.00%	0.02%	-0.04%	-0.41%	0.23%	-0.02%
Annual Trends									
2009	12.69%	10.14%	15.89%	18.77%	1.45%	11.24%	8.69%	14.44%	17.32%
2010	13.38%	10.62%	16.61%	18.99%	0.68%	12.71%	9.94%	15.93%	18.32%
2011	14.96%	9.28%	16.79%	19.32%	0.86%	14.10%	8.42%	15.93%	18.46%
2012	13.20%	7.76%	17.29%	19.55%	0.89%	12.31%	6.87%	16.40%	18.66%
2013 YTD	11.15%	6.38%	17.85%	19.54%	0.49%	10.66%	5.89%	17.36%	19.05%
Latest vs 2012 Avg	-2.92%	-2.02%	0.84%	-0.01%	-0.38%	-2.54%	-1.64%	1.22%	0.37%
Latest vs Dec 2012	-2.09%	-1.32%	0.80%	-0.11%	0.00%	-2.09%	-1.32%	0.80%	-0.11%

Source: Datastream, Citi Research. Note: Calculate spread as rate offered less 3M LIBOR

Figure 60. Unsecured Lending Spreads by Product, 2010-2013



Source: BoE, Citi Research

## Corporate

- Outstanding overdraft rates on loans to PNFCs inched up slightly in Nov 2013, but rates on new advances declined during the same time.
- By amount advanced, large and small-sized advances have seen rates fall since Dec 2012, while medium-sized advances have seen rates go up slightly.

Figure 61. Summary of Outstanding & New Business Rates to PNFCs

	Outstanding Rates to PNFCs		Rate on New Advances to PNFCs		
	Overdraft	Other Loans	Floating	Fixed	Total
Dec-12	3.77%	3.08%	2.85%	2.50%	2.64%
Jan-13	3.65%	3.12%	2.72%	2.73%	2.73%
Feb-13	3.52%	3.09%	2.87%	2.45%	2.58%
Mar-13	3.61%	3.10%	2.78%	2.55%	2.63%
Apr-13	3.66%	3.12%	3.03%	2.75%	2.86%
May-13	3.56%	3.11%	2.97%	2.49%	2.64%
Jun-13	3.37%	3.10%	2.72%	2.21%	2.41%
Jul-13	3.48%	3.11%	3.00%	2.53%	2.71%
Aug-13	3.44%	3.12%	3.00%	2.58%	2.77%
Sep-13	3.52%	3.12%	2.80%	2.38%	2.56%
Oct-13	3.53%	3.12%	2.97%	2.60%	2.74%
Nov-13	3.59%	3.11%	2.87%	2.47%	2.62%
Change in 3 Months	0.15%	-0.01%	-0.13%	-0.11%	-0.15%
Annual Trends					
2008	6.72%	6.69%	6.28%	5.96%	6.04%
2009	3.31%	3.06%	2.22%	2.44%	2.36%
2010	3.05%	2.86%	1.86%	2.46%	2.19%
2011	3.48%	2.98%	2.29%	2.53%	2.45%
2012	3.75%	3.12%	2.70%	2.61%	2.64%
2013 YTD	3.54%	3.11%	2.88%	2.52%	2.66%
Latest vs 2012 Avg	-0.16%	-0.01%	0.17%	-0.14%	-0.02%
Latest vs Dec 2012	-0.18%	0.03%	0.02%	-0.03%	-0.02%

Source: BOE, Citi Research

Figure 62. Summary of New Business Rates to PNFCs by Amount Advanced

Amount Advanced	Rate on New Advances to PNFCs		
	<=£1m	>£1m<=£20m	>£20m
Dec-12	3.65%	2.69%	2.37%
Jan-13	3.79%	2.67%	2.55%
Feb-13	3.85%	2.56%	2.28%
Mar-13	3.75%	2.72%	2.27%
Apr-13	3.78%	2.89%	2.49%
May-13	3.75%	2.70%	2.33%
Jun-13	3.67%	2.66%	1.80%
Jul-13	3.85%	2.67%	2.48%
Aug-13	3.80%	2.76%	2.42%
Sep-13	3.83%	2.73%	1.90%
Oct-13	3.81%	2.83%	2.31%
Nov-13	3.59%	2.73%	2.17%
Change in 3 Months	-0.21%	-0.03%	-0.25%
Annual Trends			
2009	3.24%	2.34%	2.28%
2010	3.33%	2.19%	1.99%
2011	3.64%	2.54%	2.05%
2012	3.77%	2.67%	2.27%
2013 YTD	3.77%	2.72%	2.27%
Latest vs 2012 Avg	-0.18%	0.06%	-0.10%
Latest vs Dec 2012	-0.06%	0.04%	-0.20%

Source: BOE, Citi Research

## V) Deposit Pricing

### Personal Accounts

- Rates on new time deposits have declined substantially, down >140bps since June 2012, as competition eased post the introduction of FLS. However the majority of this decline (>100bps) occurred in 2H12, and to a lesser extent 1H13.
- The sharp reduction in new time deposit rates during 2H12/1H13 has started feeding through the outstanding time deposit spreads and should continue in early-2014, as 'back books' re-price to this new lower 'front book' level.
- However, new time deposit rates have stabilized at this lower level in recent months, with no sign of extra improvement. This could limit further margin upside.

Figure 63. Summary of New and Outstanding Deposit Rates & Spreads To Households

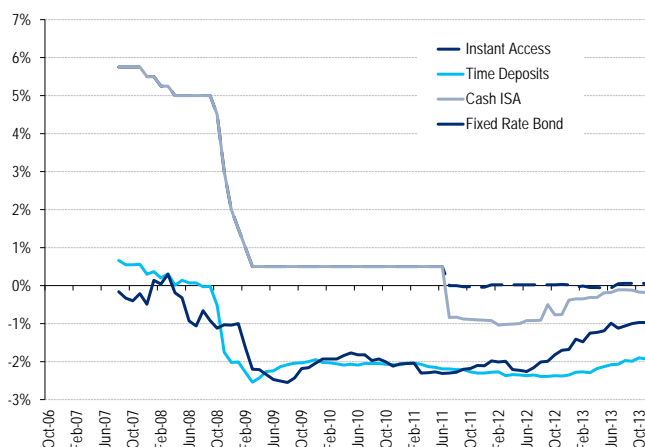
	New Rates	Outstanding Deposit Account Rates				UK Base Rate	Spread Under UK Base Rate				
	Time	Instant Access	Time	Cash ISA	Fixed Rate Bond		New Time Deposit	Instant Access	Time	Cash ISA	Fixed Rate Bond
Dec-12	2.11%	0.48%	2.85%	0.88%	2.18%	0.50%	-1.61%	0.02%	-2.35%	-0.38%	-1.68%
Jan-13	2.14%	0.54%	2.78%	0.85%	1.91%	0.50%	-1.64%	-0.04%	-2.28%	-0.35%	-1.41%
Feb-13	2.20%	0.51%	2.77%	0.85%	1.98%	0.50%	-1.70%	-0.01%	-2.27%	-0.35%	-1.48%
Mar-13	2.12%	0.55%	2.79%	0.81%	1.75%	0.50%	-1.62%	-0.05%	-2.29%	-0.31%	-1.25%
Apr-13	2.31%	0.55%	2.68%	0.81%	1.73%	0.50%	-1.81%	-0.05%	-2.18%	-0.31%	-1.23%
May-13	2.06%	0.56%	2.63%	0.69%	1.69%	0.50%	-1.56%	-0.06%	-2.13%	-0.19%	-1.19%
Jun-13	1.85%	0.56%	2.58%	0.68%	1.49%	0.50%	-1.35%	-0.06%	-2.08%	-0.18%	-0.99%
Jul-13	1.79%	0.45%	2.57%	0.61%	1.62%	0.50%	-1.29%	0.05%	-2.07%	-0.11%	-1.12%
Aug-13	1.71%	0.44%	2.47%	0.61%	1.56%	0.50%	-1.21%	0.06%	-1.97%	-0.11%	-1.06%
Sep-13	1.71%	0.44%	2.49%	0.62%	1.50%	0.50%	-1.21%	0.06%	-1.99%	-0.12%	-1.00%
Oct-13	1.71%	0.44%	2.40%	0.67%	1.47%	0.50%	-1.21%	0.06%	-1.90%	-0.17%	-0.97%
Nov-13	1.69%	0.44%	2.43%	0.68%	1.47%	0.50%	-1.19%	0.06%	-1.93%	-0.18%	-0.97%
Chg in 3 Month	-0.02%	0.00%	-0.04%	0.07%	-0.09%	0.00%	0.02%	0.00%	0.04%	-0.07%	0.09%

#### Annual Trends

2008	5.03%	2.09%	4.85%	4.26%	5.17%	4.48%	-0.61%	2.39%	-0.37%	0.21%	-0.70%
2009	2.37%	0.17%	2.79%	0.56%	2.77%	0.63%	-1.74%	0.45%	-2.17%	0.07%	-2.14%
2010	2.36%	0.19%	2.56%	0.50%	2.43%	0.50%	-1.86%	0.31%	-2.06%	0.00%	-1.93%
2011	2.76%	0.31%	2.68%	0.54%	2.70%	0.50%	-2.26%	0.19%	-2.18%	-0.04%	-2.20%
2012	2.82%	0.48%	2.85%	1.35%	2.50%	0.50%	-2.32%	0.02%	-2.35%	-0.85%	-2.00%
2013 YTD	1.94%	0.50%	2.60%	0.72%	1.65%	0.50%	-1.44%	0.00%	-2.10%	-0.22%	-1.15%
Latest vs Avg '12	-1.13%	-0.04%	-0.42%	-0.67%	-1.03%	0.00%	1.13%	0.04%	0.42%	0.67%	1.03%
Latest vs End-'12	-0.42%	-0.04%	-0.42%	-0.20%	-0.71%	0.00%	0.42%	0.04%	0.42%	0.20%	0.71%

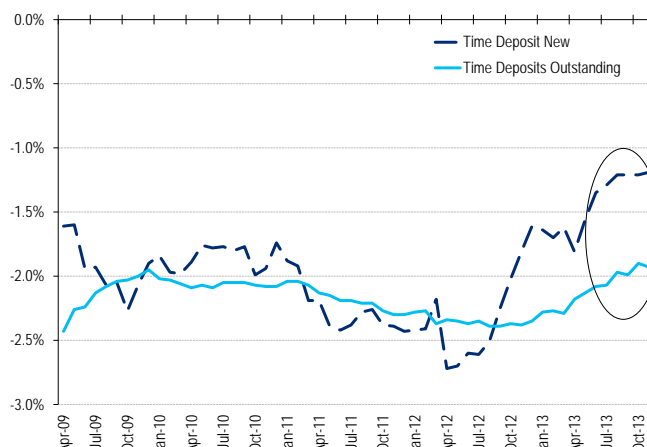
Source: Datastream, Citi Research, Bank of England

Figure 64. Outstanding Household Deposit Spreads by Product



Source: Datastream, Citi Research

Figure 65. New vs Outstanding Household Time Deposit Spread



Source: BOE, Datastream, Citi Research

## Business Accounts

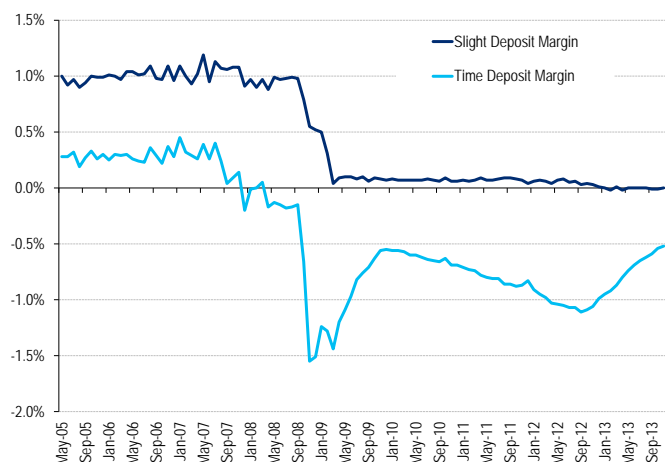
- Spreads on business sight deposits are broadly at break-even.
- Spreads on outstanding time deposits are negative, but on new time deposits are slightly positive.

Figure 66. Summary of New and Outstanding Deposit Rates & Spreads To PNFCs

	Time - New	Outstanding		UK Base Rate	Spread		
		Sight	Time		Time - New	Sight	Time
Dec-12	0.46%	0.49%	1.49%	0.5%	0.04%	0.01%	-0.99%
Jan-13	0.44%	0.50%	1.45%	0.5%	0.06%	0.00%	-0.95%
Feb-13	0.44%	0.52%	1.42%	0.5%	0.06%	-0.02%	-0.92%
Mar-13	0.47%	0.49%	1.37%	0.5%	0.03%	0.01%	-0.87%
Apr-13	0.55%	0.52%	1.30%	0.5%	-0.05%	-0.02%	-0.80%
May-13	0.41%	0.50%	1.24%	0.5%	0.09%	0.00%	-0.74%
Jun-13	0.43%	0.50%	1.19%	0.5%	0.07%	0.00%	-0.69%
Jul-13	0.43%	0.50%	1.15%	0.5%	0.07%	0.00%	-0.65%
Aug-13	0.41%	0.50%	1.12%	0.5%	0.09%	0.00%	-0.62%
Sep-13	0.41%	0.51%	1.09%	0.5%	0.09%	-0.01%	-0.59%
Oct-13	0.43%	0.51%	1.04%	0.5%	0.07%	-0.01%	-0.54%
Nov-13	0.43%	0.50%	1.02%	0.5%	0.07%	0.00%	-0.52%
Change in 3 Mths	0.00%	0.00%	-0.12%	0.00%	0.00%	0.00%	0.12%
<b>Annual (Averages)</b>							
2008	4.68%	3.75%	5.01%	4.63%	-0.05%	0.88%	-0.38%
2009	0.64%	0.49%	1.56%	0.63%	-0.01%	0.14%	-0.93%
2010	0.48%	0.43%	1.12%	0.50%	0.02%	0.07%	-0.62%
2011	0.60%	0.43%	1.31%	0.50%	-0.10%	0.07%	-0.81%
2012	0.65%	0.45%	1.53%	0.50%	-0.15%	0.05%	-1.03%
2013 YTD	0.44%	0.50%	1.22%	0.50%	0.06%	0.00%	-0.72%
Latest vs 2012 Avg	-0.22%	0.05%	-0.51%	0.00%	0.22%	-0.05%	0.51%
Latest vs Dec 2012	-0.03%	0.01%	-0.47%	0.00%	0.03%	-0.01%	0.47%

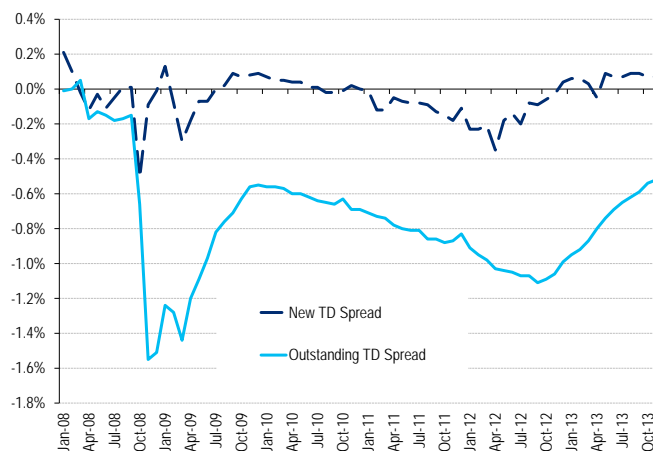
Source: Citi Research, Datastream, BoE

Figure 67. Corporate Deposit Spreads by Product, 2005-13



Source: BoE, Citi Research. Note: Spreads are deposit rates under UK base rate. The rates are those charged by UK resident monetary financial institutions to Private Non Financial Corporations (PNFC).

Figure 68. New vs Outstanding Corporate Time Deposit Spread, 2008-13



Source: Datastream, Citi Research

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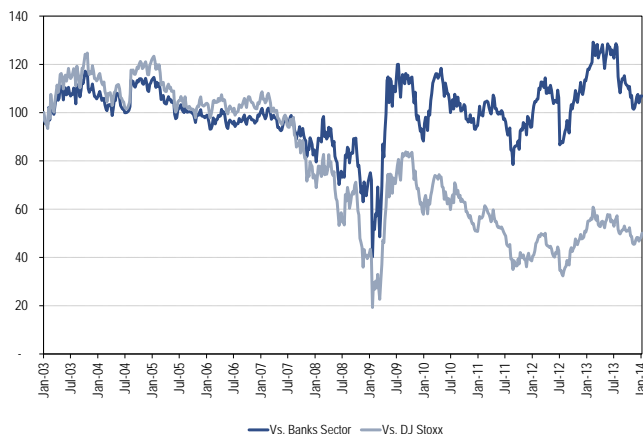
## Valuation & Business Mix

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# Valuation

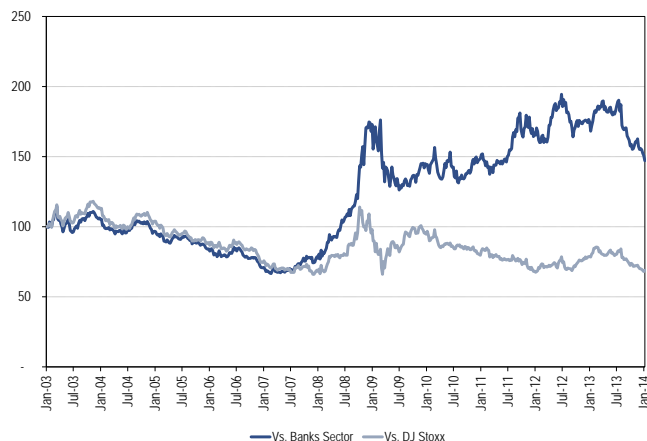
## Share Performance & Consensus Revisions

Figure 69. Barclays Relative Performance



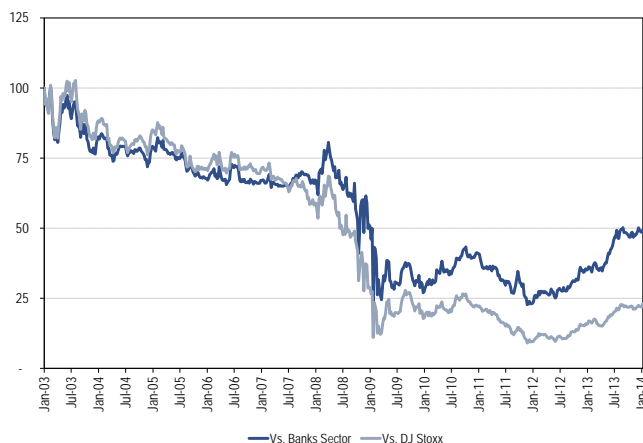
Source: DataStream

Figure 70. HSBC Relative Performance



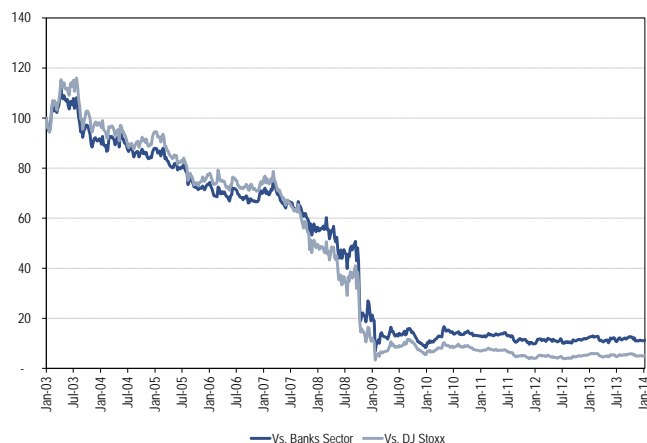
Source: DataStream

Figure 71. Lloyds Relative Performance



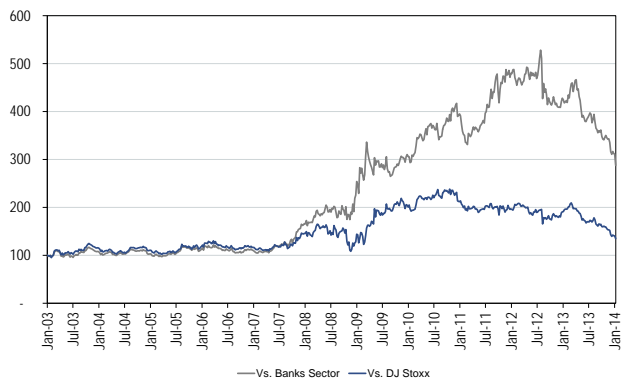
Source: DataStream

Figure 72. RBS Relative Performance



Source: DataStream

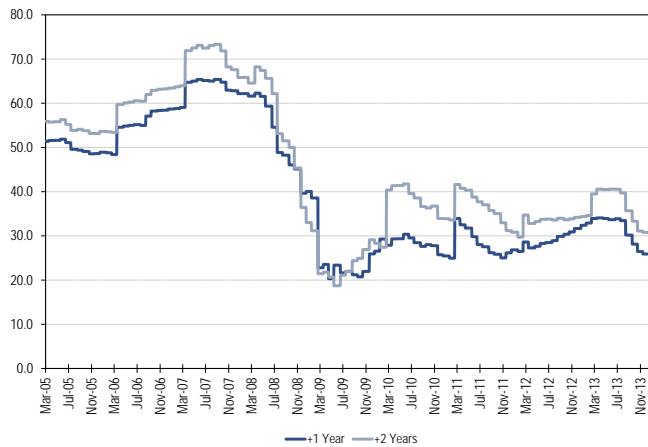
Figure 73. STAN Relative Performance



Source: DataStream

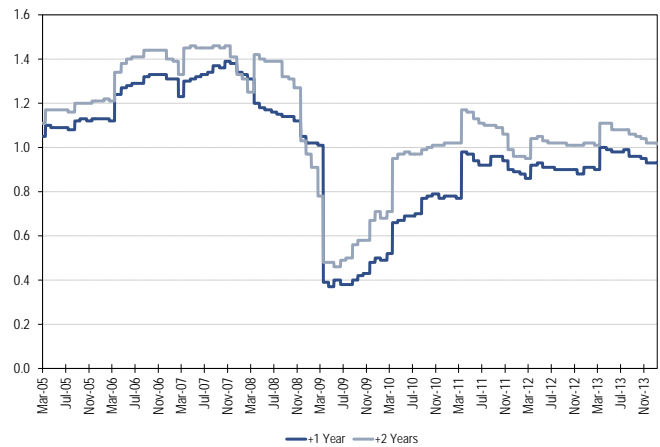


Figure 74. Barclays Consensus



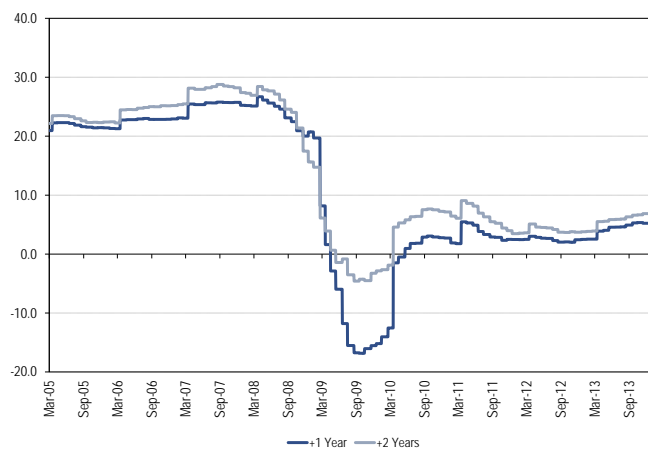
Source: DataStream

Figure 75. HSBC Consensus



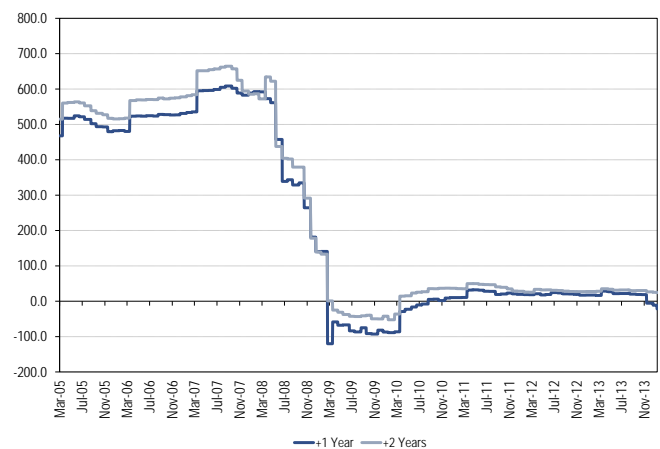
Source: DataStream

Figure 76. Lloyds Consensus



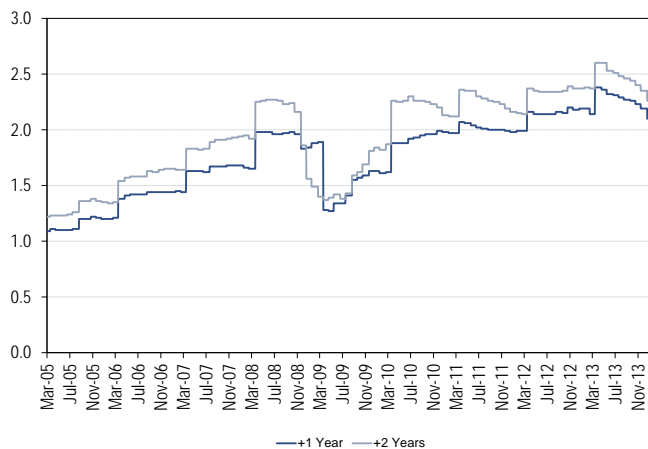
Source: DataStream

Figure 77. RBS Consensus



Source: DataStream

Figure 78. STAN Consensus



Source: DataStream

## Price to Book & Price to Earnings

Figure 79. UK Banks – Recommendations and Valuations

Company	RIC	Rec	Ccy	Share Price			Adj P/E			P/tB		RoTE		Yield	Share Performance				M Cap \$bn
				Now	Target	+/-%	2013E	2014E	2015E	'13E	'14E	'13E	'14E	2013E	YTD	1m	3m	12m	
Barclays	BARC.L	Buy	GBP	2.81	3.30	+18%	12.5x	8.0x	7.2x	0.9x	0.9x	8%	11%	2.2%	16%	+8%	+2%	+2%	74
Lloyds Banking Grp	LLOY.L	Neutral	GBP	0.84	0.85	+1%	43.4x	14.8x	11.2x	1.6x	1.5x	11%	13%	0.6%	75%	+9%	+9%	+58%	99
RBS	RBS.L	Sell-H	GBP	3.62	2.90	-20%	<0	13.0x	10.9x	0.9x	0.9x	-4%	6%	0.0%	11%	+11%	+2%	-1%	67
HSBC	HSBA.L	Buy	GBP	6.75	7.70	+14%	11.2x	10.9x	9.8x	1.4x	1.3x	13%	12%	4.5%	4%	+4%	-2%	-3%	209
Standard Chartered	STAN.L	Buy	GBP	13.60	16.5	+21%	10.3x	9.8x	8.8x	1.4x	1.3x	14%	13%	4.2%	-14%	+3%	-9%	-18%	54

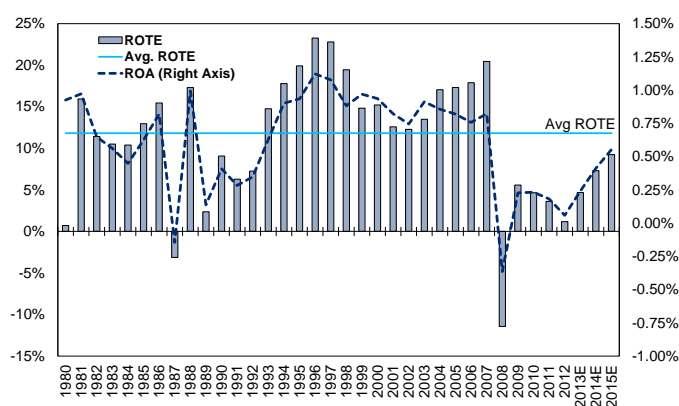
Source: dataCentral, Citi Research. Note: Recommendations: "H" = High Risk; Prices as at 21 January, 2014

Figure 80. UK Banks Sector Price to Book Value



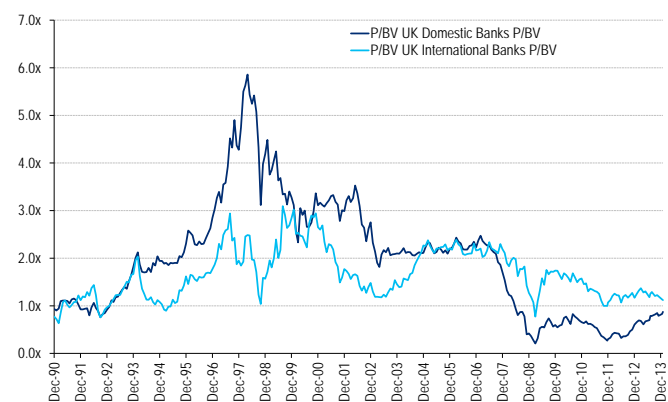
Source: DataStream, Citi Research

Figure 81. UK Bank Sector RoTE and RoA



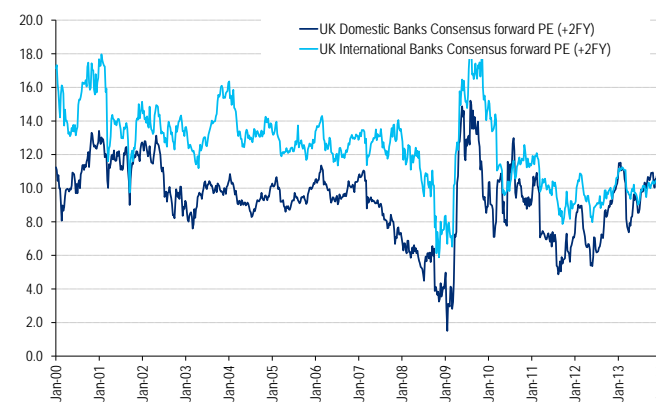
Source: DataStream, WorldScope, Citi Research

Figure 82. UK Domestic & UK International Banks P/B



Source: DataStream, Citi Research

Figure 83. UK Domestic & UK International Banks Fwd P/E



Source: DataStream, Citi Research

Figure 84. Barclays PTBV



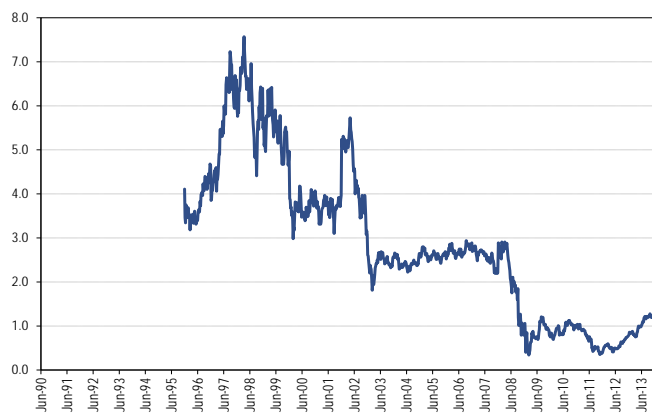
Source: DataStream

Figure 86. HSBC PTBV



Source: DataStream

Figure 88. Lloyds PTBV



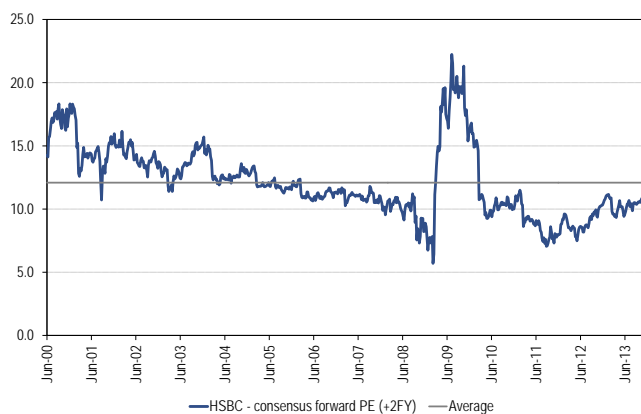
Source: DataStream

Figure 85. Barclays PE



Source: DataStream

Figure 87. HSBC PE



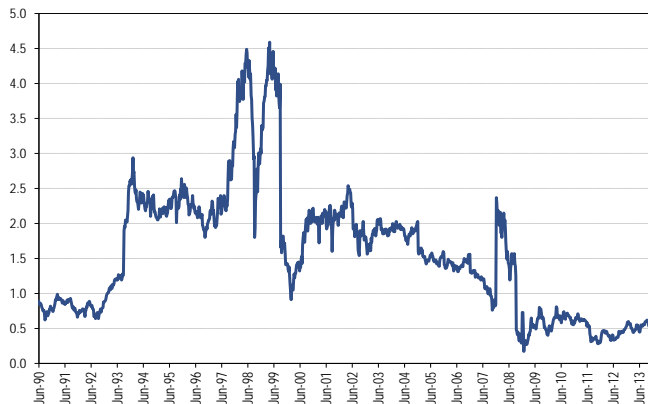
Source: DataStream

Figure 89. Lloyds PE



Source: DataStream

Figure 90. RBS PTBV



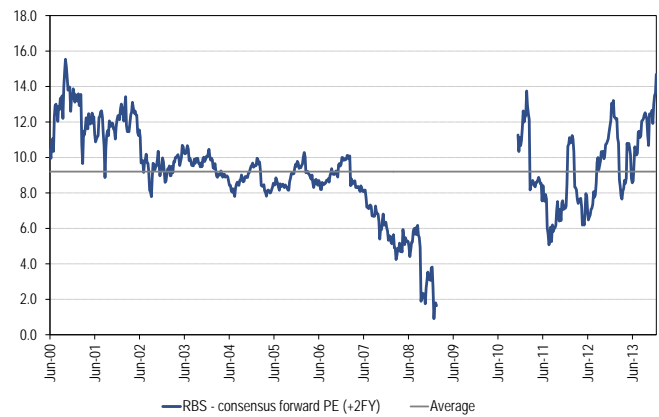
Source: DataStream

Figure 92. STAN PTBV



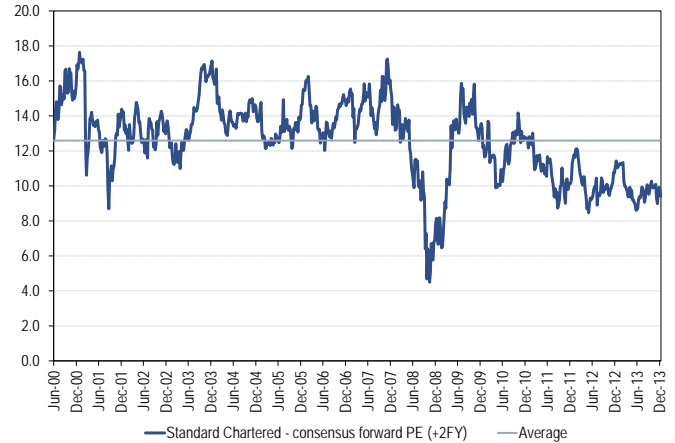
Source: DataStream

Figure 91. RBS PE



Source: DataStream

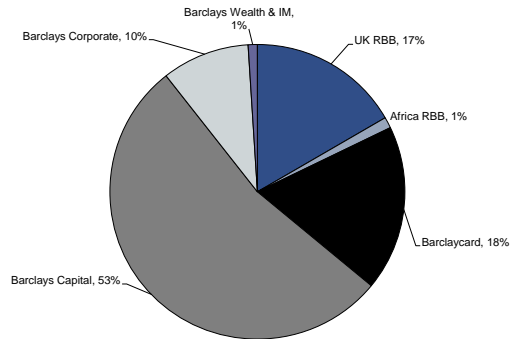
Figure 93. STAN PE



Source: DataStream

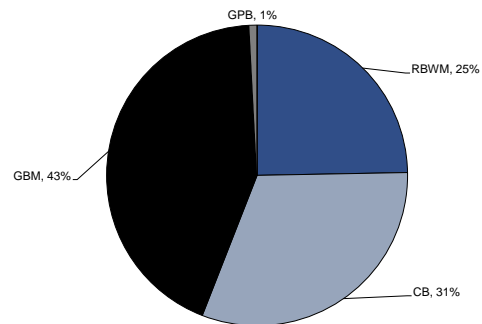
## Profit Contribution by Business

Figure 94. Barclays Profit Contribution, 1H13



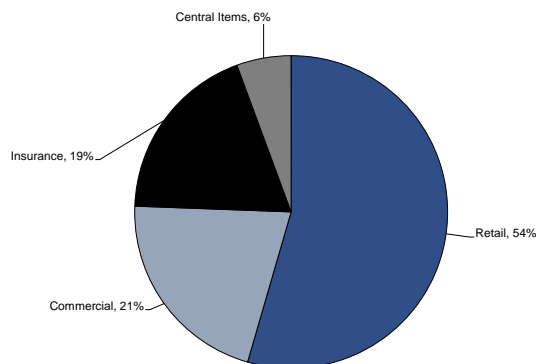
Source: Company Reports, Citi Research. Note: Losses in Western Europe RB and Head Office

Figure 95. HSBC Profit Contribution, 1H13



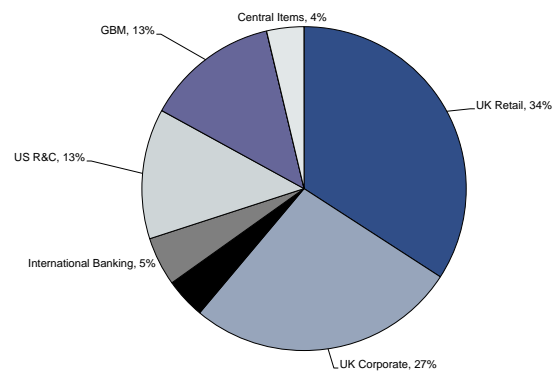
Source: Company Reports, Citi Research. Note: Loss in Other Division (centralised costs)

Figure 96. Lloyds Profit Contribution, 1H13



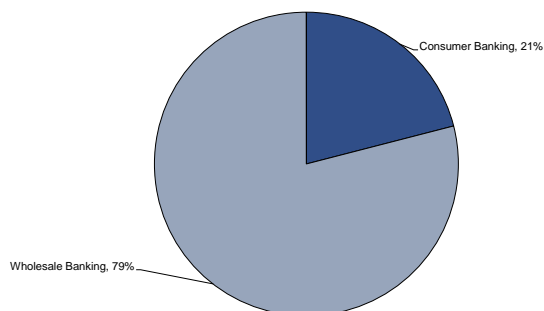
Source: Company Reports, Citi Research. Note: Losses in Wealth and International

Figure 97. RBS Profit Contribution, 1H13



Source: Company Reports, Citi Research. Note: Losses in Ulster Bank and Non Core

Figure 98. STAN Profit Contribution, 1H13

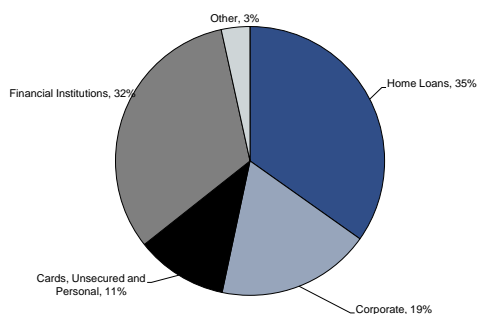


Source: Company Reports, Citi Research

## Business Mix

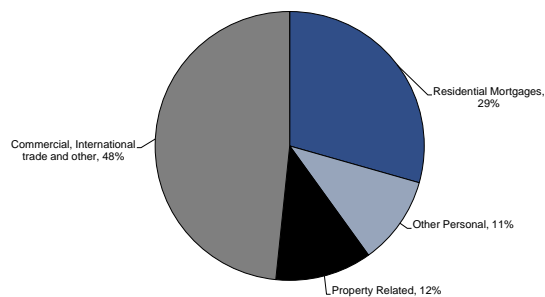
### Loan Book Split

Figure 99. Barclays Loan Book, 1H13



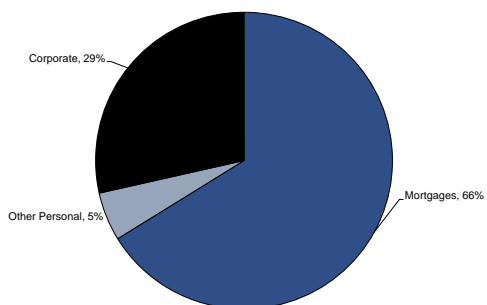
Source: Company Reports, Citi Research

Figure 100. HSBC Loan Book, 1H13



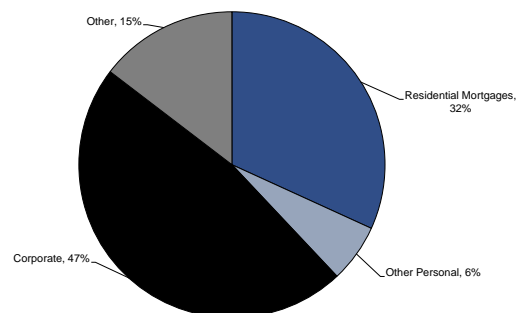
Source: Company Reports, Citi Research

Figure 101. Lloyds Loan Book, 1H13



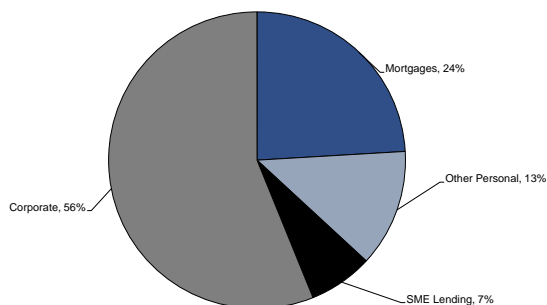
Source: Company Reports, Citi Research

Figure 102. RBS Loan Book, 1H13



Source: Company Reports, Citi Research

Figure 103. STAN Loan Book, 1H13



Source: Company Reports, Citi Research

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## Summary Financial Models

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## Summary Financial Models

### Barclays

Figure 104. Barclays – Group Profit and Loss Account 2011-16E (£m)

Income statement	2011	2012	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
Net Interest Income	12,201	11,654	12,013	3%	12,808	7%	13,318	4%	13,928	5%
Net Fee Income	8,622	5,836	8,789	51%	9,003	2%	9,450	5%	9,831	4%
Net Trading Income	7,660	3,347	6,647	99%	6,759	2%	7,115	5%	7,457	5%
Net Investment Income	2,305	844	804	-5%	835	4%	851	2%	869	2%
Net Premiums from Insurance Contracts	1,076	896	720	-20%	738	2%	758	3%	785	4%
Other Operating Income	-2,610	7,384	-246	-103%	-350	42%	-575	64%	-799	39%
<b>Total Non-Interest Income</b>	<b>17,053</b>	<b>18,307</b>	<b>16,714</b>	<b>-9%</b>	<b>16,984</b>	<b>2%</b>	<b>17,600</b>	<b>4%</b>	<b>18,143</b>	<b>3%</b>
<b>Total Gross Revenue</b>	<b>29,254</b>	<b>29,961</b>	<b>28,727</b>	<b>-4%</b>	<b>29,792</b>	<b>4%</b>	<b>30,918</b>	<b>4%</b>	<b>32,070</b>	<b>4%</b>
Insurance net claims and benefits	-741	-600	-530	-12%	-504	-5%	-484	-4%	-476	-2%
<b>Total Income Net of Insurance Claims</b>	<b>28,513</b>	<b>29,361</b>	<b>28,196</b>	<b>-4%</b>	<b>29,288</b>	<b>4%</b>	<b>30,435</b>	<b>4%</b>	<b>31,594</b>	<b>4%</b>
Total Staff Costs	-11,516	-11,467	-12,443	9%	-10,880	-13%	-10,812	-1%	-10,999	2%
Other Costs	-7,772	-7,096	-5,693	-20%	-6,696	18%	-6,654	-1%	-6,769	2%
<b>Total Expenses</b>	<b>-19,288</b>	<b>-18,563</b>	<b>-18,136</b>	<b>-2%</b>	<b>-17,576</b>	<b>-3%</b>	<b>-17,466</b>	<b>-1%</b>	<b>-17,768</b>	<b>2%</b>
<b>Gross Operating Profit (Net of Ins Claims)</b>	<b>9,225</b>	<b>10,798</b>	<b>10,061</b>	<b>-7%</b>	<b>11,712</b>	<b>16%</b>	<b>12,968</b>	<b>11%</b>	<b>13,826</b>	<b>7%</b>
Impairments (inc credit market)	-3,802	-3,340	-3,136	-6%	-3,053	-3%	-3,294	8%	-3,518	7%
Other Net Income	59	141	-32	-123%	77	-341%	78	2%	79	2%
<b>Operating Profit</b>	<b>5,482</b>	<b>7,599</b>	<b>6,893</b>	<b>-9%</b>	<b>8,736</b>	<b>27%</b>	<b>9,753</b>	<b>12%</b>	<b>10,387</b>	<b>7%</b>
FVOD gain/loss	2,708	-4,579	-125	-97%	0	-100%	0	nm	0	nm
Other Disposal gains/Losses & Exceptionals	-2,419	-2,223	-3,182	43%	-1,000	-69%	-750	-25%	-750	0%
<b>Pre-Tax Profit from continuing operations</b>	<b>5,771</b>	<b>797</b>	<b>3,586</b>	<b>350%</b>	<b>7,736</b>	<b>116%</b>	<b>9,003</b>	<b>16%</b>	<b>9,637</b>	<b>7%</b>
Tax on continuing operations	-1,904	-616	-1,235	100%	-2,001	62%	-2,266	13%	-2,409	6%
<b>Profit After Tax from continuing operations</b>	<b>3,867</b>	<b>181</b>	<b>2,351</b>	<b>1199%</b>	<b>5,736</b>	<b>144%</b>	<b>6,737</b>	<b>17%</b>	<b>7,228</b>	<b>7%</b>
Profit after tax from discontinued operations	0	0	0	nm	0	nm	0	nm	0	nm
Minorities & Non-Equity Interests	-944	-805	-846	5%	-868	3%	-869	0%	-927	7%
<b>Attributable Profit to Ord Shareholders</b>	<b>2,923</b>	<b>-624</b>	<b>1,505</b>	<b>-341%</b>	<b>4,868</b>	<b>223%</b>	<b>5,868</b>	<b>21%</b>	<b>6,301</b>	<b>7%</b>
Dividends Paid Out	-660	-733	-880	20%	-1,239	41%	-2,173	75%	-2,897	33%
<b>Retained Earnings</b>	<b>2,263</b>	<b>-1,357</b>	<b>625</b>	<b>-146%</b>	<b>3,628</b>	<b>481%</b>	<b>3,695</b>	<b>2%</b>	<b>3,403</b>	<b>-8%</b>
<b>PER SHARE DATA</b>										
Reported, Diluted EPS	21.6p	(4.6)p	9.1p	-300%	29.5p	223%	35.6p	21%	38.2p	7%
Underlying, Diluted EPS	23.9p	33.7p	24.4p	-28%	34.0p	40%	39.0p	15%	41.6p	7%
Dividend Per Share (Reported)	5.4p	6.0p	6.0p	1%	12.0p	98%	17.0p	42%	19.0p	12%
Payout ratio	25%	-131%	66%	-150%	41%	-39%	48%	18%	50%	4%
<b>BVPS (outstanding shares)</b>	<b>419.2p</b>	<b>382.5p</b>	<b>344.2p</b>	<b>-10%</b>	<b>366.7p</b>	<b>7%</b>	<b>389.7p</b>	<b>6%</b>	<b>410.8p</b>	<b>5%</b>
<b>Tangible BVPS (outstanding shares)</b>	<b>358.7p</b>	<b>322.7p</b>	<b>295.8p</b>	<b>-8%</b>	<b>318.3p</b>	<b>8%</b>	<b>341.3p</b>	<b>7%</b>	<b>362.4p</b>	<b>6%</b>
<b>OPERATING RATIOS</b>										
Net interest margin (calc)	1.9%	1.8%	1.9%		2.0%		2.1%		2.1%	
<b>Cost income ratio</b>	<b>65.9%</b>	<b>62.0%</b>	<b>63.1%</b>		<b>59.0%</b>		<b>56.5%</b>		<b>55.4%</b>	
Cost of Risk (impairments /ave loans)	0.88%	0.78%	0.74%		0.71%		0.76%		0.80%	
NPL ratio - calc	4.8%	4.3%	3.1%		2.7%		2.4%		2.1%	
Coverage ratio	49.7%	42.0%	55.3%		58.3%		61.5%		63.6%	
<b>Adj. ROE</b>	<b>6.2%</b>	<b>8.8%</b>	<b>7.6%</b>		<b>9.8%</b>		<b>10.6%</b>		<b>10.7%</b>	
<b>Adj. ROTE</b>	<b>7.3%</b>	<b>10.3%</b>	<b>8.9%</b>		<b>11.4%</b>		<b>12.1%</b>		<b>12.1%</b>	
<b>ROA</b>	<b>0.19%</b>	<b>-0.04%</b>	<b>0.10%</b>		<b>0.36%</b>		<b>0.46%</b>		<b>0.50%</b>	
<b>BALANCE SHEET SUMMARY</b>										
Total Assets	1,562,083	1,488,335	1,380,958	-7%	1,302,752	-6%	1,269,942	-3%	1,239,394	-2%
Net Customer Loans	431,934	423,906	426,939	1%	431,362	1%	436,347	1%	444,946	2%
Customer Deposits	366,032	385,411	462,334	20%	478,582	4%	495,800	4%	513,712	4%
Loan-to-deposit ratio	118%	110%	92%	-16%	90%	-2%	88%	-2%	87%	-2%
Avg shareholder funds	52,605	52,484	53,006	1%	57,212	8%	60,874	6%	64,423	6%
<b>CAPITAL POSITION</b>										
Core Tier 1 (Basel 2)	43,066	41,722	47,083	13%	50,019	6%	53,591	7%	56,772	6%
Core Tier 1 (Basel 3)	40,113	37,989	42,583	12%	45,567	7%	49,007	8%	52,272	7%
Risk Weighted Assets (Basel 2 / 2.5)	375,400	371,400	351,050	-5%	350,609	0%	351,316	0%	353,595	1%
Risk Weighted Assets (Basel 3)	470,400	452,400	424,350	-6%	416,409	-2%	409,616	-2%	411,895	1%
Basel 2 Core Tier 1 Ratio (%)	11.5%	11.2%	13.4%		14.3%		15.3%		16.1%	
<b>Basel 3 Core Tier 1 Ratio (%)</b>	<b>8.5%</b>	<b>8.4%</b>	<b>10.0%</b>		<b>10.9%</b>		<b>12.0%</b>		<b>12.7%</b>	
<b>PRA Leverage Ratio (%)</b>		<b>2.1%</b>	<b>2.7%</b>		<b>3.2%</b>		<b>3.7%</b>		<b>4.3%</b>	

Source: Company Reports and Citi Research Estimates



Figure 105. Barclays – Group Profit and Loss Account 1H11-2H14E (£m)

Income statement	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
Net Interest Income	6,071	6,130	5,871	5,783	5,714	6,299	6,336	6,471
Net Fee Income	4,552	4,070	4,336	1,500	4,449	4,340	4,508	4,495
Net Trading Income	3,803	3,857	4,408	-1,061	4,486	2,161	3,942	2,816
Net Investment Income	562	1,743	315	529	392	412	417	418
Net Premiums from Insurance Contracts	540	536	495	401	374	346	369	369
Other Operating Income	167	-2,777	430	6,954	-76	-170	-175	-175
<b>Total Non-Interest Income</b>	<b>9,624</b>	<b>7,429</b>	<b>9,984</b>	<b>8,323</b>	<b>9,625</b>	<b>7,089</b>	<b>9,061</b>	<b>7,923</b>
<b>Total Gross Revenue</b>	<b>15,695</b>	<b>13,559</b>	<b>15,855</b>	<b>14,106</b>	<b>15,339</b>	<b>13,388</b>	<b>15,398</b>	<b>14,394</b>
Insurance net claims and benefits	-396	-345	-363	-237	-268	-262	-252	-252
<b>Total Income Net of Insurance Claims</b>	<b>15,299</b>	<b>13,214</b>	<b>15,492</b>	<b>13,869</b>	<b>15,071</b>	<b>13,125</b>	<b>15,146</b>	<b>14,142</b>
Total Staff Costs	-6,110	-5,406	-5,945	-5,522	-6,431	-6,012	-5,560	-5,319
Other Costs	-3,726	-4,046	-3,575	-3,521	-2,710	-2,983	-3,197	-3,499
<b>Total Expenses</b>	<b>-9,836</b>	<b>-9,452</b>	<b>-9,520</b>	<b>-9,043</b>	<b>-9,141</b>	<b>-8,995</b>	<b>-8,757</b>	<b>-8,819</b>
<b>Gross Operating Profit (Net of Ins Claims)</b>	<b>5,463</b>	<b>3,762</b>	<b>5,972</b>	<b>4,826</b>	<b>5,930</b>	<b>4,131</b>	<b>6,389</b>	<b>5,323</b>
Impairments (inc credit market)	-1,828	-1,974	-1,710	-1,630	-1,631	-1,505	-1,518	-1,535
Other Net Income	36	23	77	64	-68	36	38	39
<b>Operating Profit</b>	<b>3,671</b>	<b>1,811</b>	<b>4,339</b>	<b>3,260</b>	<b>4,231</b>	<b>2,662</b>	<b>4,909</b>	<b>3,827</b>
FVOD gain/loss	89	2,619	-2,945	-1,634	86	-211	0	0
Other Disposal gains/Losses & Exceptionals	-1,170	-1,249	-523	-1,700	-2,640	-542	-500	-500
<b>Pre-Tax Profit from continuing operations</b>	<b>2,590</b>	<b>3,181</b>	<b>871</b>	<b>-74</b>	<b>1,677</b>	<b>1,909</b>	<b>4,409</b>	<b>3,327</b>
Tax on continuing operations	-649	-1,255	-313	-303	-594	-641	-1,152	-848
<b>Profit After Tax from continuing operations</b>	<b>1,941</b>	<b>1,926</b>	<b>558</b>	<b>-377</b>	<b>1,083</b>	<b>1,268</b>	<b>3,257</b>	<b>2,479</b>
Profit after tax from discontinued operations	0	0	0	0	0	0	0	0
Minorities & Non-Equity Interests	-485	-459	-410	-395	-412	-434	-434	-434
<b>Attributable Profit to Ord Shareholders</b>	<b>1,456</b>	<b>1,467</b>	<b>148</b>	<b>-772</b>	<b>671</b>	<b>834</b>	<b>2,823</b>	<b>2,045</b>
Dividends Paid Out	-452	-208	-481	-252	-570	-310	-757	-483
<b>Retained Earnings</b>	<b>1,004</b>	<b>1,259</b>	<b>-333</b>	<b>-1,024</b>	<b>101</b>	<b>524</b>	<b>2,067</b>	<b>1,562</b>
<b>PER SHARE DATA</b>								
Reported, Diluted EPS	10.7p	10.7p	1.2p	(6.1)p	4.8p	5.1p	17.1p	12.4p
Underlying, Diluted EPS	16.8p	6.8p	21.9p	14.8p	17.7p	9.2p	19.4p	14.7p
Dividend Per Share (Reported)	1.7p	3.7p	1.8p	4.2p	1.8p	4.2p	3.0p	9.0p
Payout ratio	16%	35%	156%	-68%	39%	83%	18%	73%
<b>BVPS (outstanding shares)</b>	<b>399.1p</b>	<b>419.2p</b>	<b>409.9p</b>	<b>382.5p</b>	<b>372.3p</b>	<b>344.2p</b>	<b>357.0p</b>	<b>366.7p</b>
Tangible BVPS (outstanding shares)	333.0p	358.7p	350.5p	322.7p	315.1p	295.8p	308.6p	318.3p
<b>OPERATING RATIOS</b>								
Net interest margin (calc)	1.9%	1.9%	1.7%	1.8%	1.7%	1.9%	2.0%	2.0%
<b>Cost income ratio</b>	<b>62.7%</b>	<b>69.7%</b>	<b>60.0%</b>	<b>64.1%</b>	<b>59.6%</b>	<b>67.2%</b>	<b>56.9%</b>	<b>61.3%</b>
Cost of Risk (impairments /ave loans)	0.84%	0.90%	0.77%	0.74%	0.73%	0.67%	0.71%	0.71%
NPL ratio - calc	5.2%	4.8%	4.2%	3.5%	3.1%	3.1%	2.9%	2.7%
Coverage ratio	49.3%	49.7%	50.4%	51.6%	53.8%	55.3%	56.8%	58.3%
<b>Adj. ROE</b>	<b>9.0%</b>	<b>3.6%</b>	<b>10.1%</b>	<b>7.1%</b>	<b>9.8%</b>	<b>5.7%</b>	<b>11.3%</b>	<b>8.3%</b>
<b>Adj. ROTE</b>	<b>10.8%</b>	<b>4.2%</b>	<b>11.8%</b>	<b>8.4%</b>	<b>11.6%</b>	<b>6.7%</b>	<b>13.1%</b>	<b>9.6%</b>
ROA	0.20%	0.19%	0.02%	-0.10%	0.08%	0.12%	0.39%	0.30%
<b>BALANCE SHEET SUMMARY</b>								
Total Assets	1,492,922	1,562,083	1,631,265	1,488,335	1,532,733	1,380,958	1,340,214	1,302,752
Net Customer Loans	441,983	431,934	454,728	423,906	470,062	426,939	429,028	431,362
Customer Deposits	373,374	366,032	408,550	385,411	460,264	462,334	470,328	478,582
Loan-to-deposit ratio	118%	118%	111%	110%	102%	92%	91%	90%
Avg shareholder funds	51,215	52,962	54,279	52,410	50,849	53,240	56,431	58,245
<b>CAPITAL POSITION</b>								
Core Tier 1 (Basel 2)	43,537	43,066	41,906	41,722	42,943	47,083	49,423	50,019
Core Tier 1 (Basel 3)		40,113		37,989	38,100	42,583	44,947	45,567
Risk Weighted Assets (Basel 2 / 2.5)	395,150	375,400	390,223	387,373	387,230	368,050	368,609	369,374
Risk Weighted Assets (Basel 3)		470,400		452,400	471,500	424,350	420,380	416,409
Basel 2 Core Tier 1 Ratio (%)	11.0%	11.5%	10.7%	10.8%	11.1%	12.8%	13.4%	13.5%
<b>Basel 3 Core Tier 1 Ratio (%)</b>		<b>8.5%</b>		<b>8.4%</b>	<b>8.1%</b>	<b>10.0%</b>	<b>10.7%</b>	<b>10.9%</b>
<b>PRA Leverage Ratio (%)</b>				<b>2.1%</b>	<b>2.2%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>3.2%</b>

Source: Company Reports and Citi Research Estimates

Figure 106. Barclays – Corporate & Investment Banking and Wealth Divisional Profit and Loss Account 2011-16E (£m)

	2011	2012	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>INVESTMENT BANK</b>										
Fixed Income, Currency and Commodities	6,066	7,249	5,552	-23%	5,875	6%	6,110	4%	6,354	4%
Equities and Prime Services	1,807	2,183	2,789	28%	2,853	2%	2,967	4%	3,086	4%
Investment Banking	2,117	2,137	2,215	4%	2,499	13%	2,624	5%	2,755	5%
Principal Investments	232	206	319	55%	40	-87%	41	3%	42	3%
Insurance Net Claims & Benefits	0	0	0	nm	0	nm	0	nm	0	nm
<b>Total Revenue</b>	<b>10,222</b>	<b>11,775</b>	<b>10,875</b>	<b>-8%</b>	<b>11,267</b>	<b>4%</b>	<b>11,742</b>	<b>4%</b>	<b>12,237</b>	<b>4%</b>
Operating Costs	-7,726	-7,631	-7,487	-2%	-7,059	-6%	-6,849	-3%	-7,138	4%
<b>Gross Operating Profit</b>	<b>2,496</b>	<b>4,144</b>	<b>3,387</b>	<b>-18%</b>	<b>4,208</b>	<b>24%</b>	<b>4,892</b>	<b>16%</b>	<b>5,099</b>	<b>4%</b>
Total impairments	-93	-204	-256	25%	-200	-22%	-228	14%	-240	5%
Other Net Income	12	50	31	-38%	32	3%	32	0%	32	0%
<b>Operating Profit</b>	<b>2,415</b>	<b>3,990</b>	<b>3,162</b>	<b>-21%</b>	<b>4,040</b>	<b>28%</b>	<b>4,696</b>	<b>16%</b>	<b>4,891</b>	<b>4%</b>
Disposal Gains and Exceptionals	0	0	-175	nm	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>2,415</b>	<b>3,990</b>	<b>2,987</b>	<b>-25%</b>	<b>4,040</b>	<b>35%</b>	<b>4,696</b>	<b>16%</b>	<b>4,891</b>	<b>4%</b>
Cost - income ratio	76%	65%	69%		63%		58%		58%	
Cost - net income ratio	76%	66%	71%		64%		59%		59%	
Loan loss ratio	9	23	27		22		25		25	
<b>CORPORATE BANK</b>										
<b>Net Interest Income</b>	<b>2,298</b>	<b>1,911</b>	<b>2,017</b>	<b>6%</b>	<b>2,101</b>	<b>4%</b>	<b>2,166</b>	<b>3%</b>	<b>2,323</b>	<b>7%</b>
Net Fees & Commissions	1,041	998	996	0%	1,000	0%	1,020	2%	1,040	2%
Net Trading Income	-90	87	99	14%	100	1%	100	0%	100	0%
Net Investment Income	29	23	9	-61%	10	11%	10	0%	10	0%
Insurance Net Premiums	0	0	0	nm	0	nm	0	nm	0	nm
Other Operating Income	37	27	1	-96%	0	-100%	0	nm	0	nm
<b>Total Non-Interest Income</b>	<b>1,017</b>	<b>1,135</b>	<b>1,105</b>	<b>-3%</b>	<b>1,110</b>	<b>0%</b>	<b>1,130</b>	<b>2%</b>	<b>1,150</b>	<b>2%</b>
Insurance Net Claims & Benefits	0	0	0	nm	0	nm	0	nm	0	nm
<b>Total Revenue</b>	<b>3,315</b>	<b>3,046</b>	<b>3,122</b>	<b>2%</b>	<b>3,211</b>	<b>3%</b>	<b>3,296</b>	<b>3%</b>	<b>3,473</b>	<b>5%</b>
Operating Costs	-1,976	-1,711	-1,637	-4%	-1,605	-2%	-1,589	-1%	-1,573	-1%
<b>Gross Operating Profit</b>	<b>1,339</b>	<b>1,335</b>	<b>1,485</b>	<b>11%</b>	<b>1,605</b>	<b>8%</b>	<b>1,706</b>	<b>6%</b>	<b>1,900</b>	<b>11%</b>
Loan Loss Provisions	-1,150	-885	-512	-42%	-506	-1%	-549	9%	-594	8%
Income From JV's & Associates	2	10	3	-70%	0	-100%	0	nm	0	nm
<b>Operating Profit</b>	<b>191</b>	<b>460</b>	<b>975</b>	<b>112%</b>	<b>1,100</b>	<b>13%</b>	<b>1,158</b>	<b>5%</b>	<b>1,306</b>	<b>13%</b>
Disposal Gains and Exceptionals	-196	-850	-704	-17%	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>-5</b>	<b>-390</b>	<b>271</b>	<b>-170%</b>	<b>1,100</b>	<b>305%</b>	<b>1,158</b>	<b>5%</b>	<b>1,306</b>	<b>13%</b>
NIM (bps)	1.56%	1.27%	1.27%		1.34%		1.35%		1.40%	
Cost income ratio	60%	56%	52%		50%		48%		45%	
Loan loss ratio	140	108	65		65		70		75	
<b>WEALTH &amp; INVESTMENT MANAGEMENT</b>										
<b>Net Interest Income</b>	<b>823</b>	<b>856</b>	<b>901</b>	<b>5%</b>	<b>1,030</b>	<b>14%</b>	<b>1,076</b>	<b>4%</b>	<b>1,157</b>	<b>8%</b>
Net Fees & Commissions	944	948	928	-2%	937	1%	1,079	15%	1,135	5%
Net Trading Income	5	16	17	3%	15	-9%	15	0%	15	0%
Net Investment Income	0	0	6	nm	0	-100%	0	nm	0	nm
Insurance Net Premiums	0	0	0	nm	0	nm	0	nm	0	nm
Other Operating Income	-2	0	0	nm	0	nm	0	nm	0	nm
<b>Total Non-Interest Income</b>	<b>947</b>	<b>964</b>	<b>951</b>	<b>-1%</b>	<b>952</b>	<b>0%</b>	<b>1,094</b>	<b>15%</b>	<b>1,150</b>	<b>5%</b>
Insurance Net Claims & Benefits	0	0	0	nm	0	nm	0	nm	0	nm
<b>Total Revenue</b>	<b>1,770</b>	<b>1,820</b>	<b>1,852</b>	<b>2%</b>	<b>1,982</b>	<b>7%</b>	<b>2,170</b>	<b>9%</b>	<b>2,307</b>	<b>6%</b>
Operating Costs	-1,538	-1,509	-1,519	1%	-1,556	2%	-1,587	2%	-1,619	2%
<b>Gross Operating Profit</b>	<b>232</b>	<b>311</b>	<b>333</b>	<b>7%</b>	<b>426</b>	<b>28%</b>	<b>583</b>	<b>37%</b>	<b>688</b>	<b>18%</b>
Loan Loss Provisions	-41	-38	-109	187%	-50	-54%	-50	0%	-50	0%
Other Net Income	-3	1	8	700%	0	-100%	0	nm	0	nm
<b>Operating Profit</b>	<b>188</b>	<b>274</b>	<b>232</b>	<b>-15%</b>	<b>376</b>	<b>62%</b>	<b>533</b>	<b>42%</b>	<b>638</b>	<b>20%</b>
Disposal Gains and Exceptionals	0	0	-77	nm	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>188</b>	<b>274</b>	<b>155</b>	<b>-43%</b>	<b>376</b>	<b>143%</b>	<b>533</b>	<b>42%</b>	<b>638</b>	<b>20%</b>
Revenue Margin (%)	1.08%	1.04%	0.93%		0.88%		0.90%		0.92%	
Cost income ratio	86.9%	82.9%	82.0%		78.5%		73.1%		70.2%	
Impairment rate (bps)	23	19	53		24		22		21	
<b>AuM</b>	<b>164,200</b>	<b>186,000</b>	<b>214,414</b>	<b>15%</b>	<b>236,392</b>	<b>10%</b>	<b>245,847</b>	<b>4%</b>	<b>255,681</b>	<b>4%</b>

Source: Company Reports and Citi Research Estimates

Figure 107. Barclays – Corporate & Investment Banking and Wealth Management Divisional Profit and Loss Account 1H10-2H14E (£m)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>INVESTMENT BANK</b>										
Fixed Income, Currency and Commodities	4,883	3,804	3,834	2,232	4,080	3,169	3,568	1,984	3,450	2,425
Equities and Prime Services	1,056	984	1,161	646	1,206	977	1,531	1,258	1,538	1,315
Investment Banking	1,017	1,226	1,197	920	1,024	1,113	1,086	1,129	1,216	1,282
Principal Investments	105	134	107	125	150	56	288	31	20	20
Credit market losses	-65	-59	0	0	0	0	0	0	0	0
Insurance Net Claims & Benefits	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>7,061</b>	<b>6,148</b>	<b>6,299</b>	<b>3,923</b>	<b>6,460</b>	<b>5,315</b>	<b>6,473</b>	<b>4,402</b>	<b>6,224</b>	<b>5,043</b>
Operating Costs	-4,213	-4,082	-4,182	-3,544	-4,044	-3,587	-3,751	-3,736	-3,493	-3,566
<b>Gross Operating Profit</b>	<b>2,848</b>	<b>2,066</b>	<b>2,117</b>	<b>379</b>	<b>2,416</b>	<b>1,728</b>	<b>2,722</b>	<b>665</b>	<b>2,731</b>	<b>1,477</b>
Total impairments	-309	-234	110	-203	-202	-2	-181	-75	-100	-100
Other Net Income	10	8	10	2	28	22	17	14	16	16
<b>Operating Profit</b>	<b>2,549</b>	<b>1,840</b>	<b>2,237</b>	<b>178</b>	<b>2,242</b>	<b>1,748</b>	<b>2,558</b>	<b>604</b>	<b>2,647</b>	<b>1,393</b>
Disposal Gains and Exceptionals	0	0	0	0	0	0	-169	-6	0	0
<b>Pretax Profit</b>	<b>2,549</b>	<b>1,840</b>	<b>2,237</b>	<b>178</b>	<b>2,242</b>	<b>1,748</b>	<b>2,389</b>	<b>598</b>	<b>2,647</b>	<b>1,393</b>
Cost - income ratio	60%	66%	66%	90%	63%	67%	58%	85%	56%	71%
Cost - net income ratio (ex-FVOD)	62%	69%	65%	95%	65%	68%	60%	86%	65%	58%
Loan loss ratio	23	22	-10	20	16	0	14	8	11	11
<b>CORPORATE BANK</b>										
<b>Net Interest Income</b>	<b>939</b>	<b>1,065</b>	<b>1,014</b>	<b>1,284</b>	<b>970</b>	<b>941</b>	<b>998</b>	<b>1,019</b>	<b>1,037</b>	<b>1,063</b>
Net Fees & Commissions	464	446	508	533	511	487	506	490	500	500
Net Trading Income	27	53	29	-119	79	8	49	50	50	50
Net Investment Income	-33	1	8	21	9	14	2	7	5	5
Insurance Net Premiums	0	0	0	0	0	0	0	0	0	0
Other Operating Income	4	8	101	-64	14	13	-3	4	0	0
<b>Total Non-Interest Income</b>	<b>462</b>	<b>508</b>	<b>646</b>	<b>371</b>	<b>613</b>	<b>522</b>	<b>554</b>	<b>551</b>	<b>555</b>	<b>555</b>
Insurance Net Claims & Benefits	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>1,401</b>	<b>1,573</b>	<b>1,660</b>	<b>1,655</b>	<b>1,583</b>	<b>1,463</b>	<b>1,552</b>	<b>1,570</b>	<b>1,592</b>	<b>1,618</b>
Operating Costs	-829	-835	-984	-992	-839	-872	-852	-785	-796	-809
<b>Gross Operating Profit</b>	<b>572</b>	<b>738</b>	<b>676</b>	<b>663</b>	<b>744</b>	<b>591</b>	<b>700</b>	<b>785</b>	<b>796</b>	<b>809</b>
Loan Loss Provisions	-949	-747	-614	-536	-431	-454	-258	-254	-253	-253
Income From JV's & Associates	0	-2	-1	3	-2	12	1	2	0	0
<b>Operating Profit</b>	<b>-377</b>	<b>-11</b>	<b>61</b>	<b>130</b>	<b>311</b>	<b>149</b>	<b>443</b>	<b>532</b>	<b>544</b>	<b>556</b>
Disposal Gains and Exceptionals	0	-243	-64	-132	-450	-400	-691	-13	0	0
<b>Pretax Profit</b>	<b>-377</b>	<b>-254</b>	<b>-3</b>	<b>-2</b>	<b>-139</b>	<b>-251</b>	<b>-248</b>	<b>519</b>	<b>544</b>	<b>556</b>
NIM (bps)	1.44%	1.64%	1.34%	1.72%	1.30%	1.25%	1.23%	1.30%	1.32%	1.35%
Cost income ratio	59%	53%	59%	60%	53%	60%	55%	50%	50%	50%
Loan loss ratio	230	185	152	128	102	105	76	65	65	65
<b>WEALTH &amp; INVESTMENT MANAGEMENT</b>										
<b>Net Interest Income</b>	<b>305</b>	<b>367</b>	<b>369</b>	<b>429</b>	<b>420</b>	<b>436</b>	<b>431</b>	<b>470</b>	<b>502</b>	<b>528</b>
Net Fees & Commissions	447	426	470	473	468	480	485	443	457	480
Net Trading Income	-15	7	9	-4	5	11	9	8	8	8
Net Investment Income	54	48	0	0	0	0	6	0	0	0
Insurance Net Premiums	0	0	0	0	0	0	0	0	0	0
Other Operating Income	0	-1	7	17	1	-1	0	0	0	0
<b>Total Non-Interest Income</b>	<b>486</b>	<b>480</b>	<b>486</b>	<b>486</b>	<b>474</b>	<b>490</b>	<b>500</b>	<b>451</b>	<b>465</b>	<b>488</b>
Insurance Net Claims & Benefits	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>791</b>	<b>847</b>	<b>855</b>	<b>915</b>	<b>894</b>	<b>926</b>	<b>931</b>	<b>921</b>	<b>967</b>	<b>1,015</b>
Operating Costs	-638	-722	-759	-779	-775	-734	-810	-709	-764	-792
<b>Gross Operating Profit</b>	<b>153</b>	<b>125</b>	<b>96</b>	<b>136</b>	<b>119</b>	<b>192</b>	<b>121</b>	<b>212</b>	<b>203</b>	<b>223</b>
Loan Loss Provisions	-27	-21	-19	-22	-19	-19	-49	-60	-25	-25
Other Net Income	0	0	-2	-1	-1	2	8	0	0	0
<b>Operating Profit</b>	<b>126</b>	<b>104</b>	<b>75</b>	<b>113</b>	<b>99</b>	<b>175</b>	<b>80</b>	<b>152</b>	<b>178</b>	<b>198</b>
Disposal Gains and Exceptionals	0	0	0	0	0	0	-33	-44	0	0
<b>Pretax Profit</b>	<b>126</b>	<b>104</b>	<b>75</b>	<b>113</b>	<b>99</b>	<b>175</b>	<b>47</b>	<b>108</b>	<b>178</b>	<b>198</b>
Revenue Margin (%)	0.99%	1.01%	1.03%	1.10%	1.05%	1.02%	0.95%	0.88%	0.88%	0.88%
Cost income ratio	83.9%	88.9%	88.8%	85.1%	86.7%	79.3%	87.0%	77.0%	79.0%	78.0%
Impairment rate (bps)	40	28	23	24	20	19	47	0	0	0
<b>AuM</b>	<b>153,500</b>	<b>163,900</b>	<b>169,500</b>	<b>164,200</b>	<b>176,100</b>	<b>186,000</b>	<b>204,204</b>	<b>214,414</b>	<b>225,135</b>	<b>236,392</b>

Source: Company Reports and Citi Research Estimates

Figure 108. Barclays – Retail & Business Banking UK & Europe Divisional Profit and Loss Account 2011-16E (£m)

	2011	2012	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>UK RETAIL</b>										
Net Interest Income	3,378	3,190	3,420	7%	3,746	10%	3,975	6%	4,190	5%
Net Fees & Commissions	1,157	1,154	1,117	-3%	1,160	4%	1,206	4%	1,255	4%
Net Trading Income	0	0	0	nm	0	nm	0	nm	0	nm
Net Investment Income	17	0	0	nm	0	nm	0	nm	0	nm
Insurance Net Premiums (PPI)	92	74	57	-23%	60	5%	62	4%	65	4%
Other Operating Income	-1	-1	-2	100%	0	-100%	0	nm	0	nm
<b>Total Non-Interest Income</b>	<b>1,265</b>	<b>1,227</b>	<b>1,172</b>	<b>-4%</b>	<b>1,220</b>	<b>4%</b>	<b>1,269</b>	<b>4%</b>	<b>1,320</b>	<b>4%</b>
Insurance Net Claims & Benefits	-22	-33	-23	-30%	-24	4%	-16	-35%	-16	4%
<b>Total Revenue</b>	<b>4,621</b>	<b>4,384</b>	<b>4,569</b>	<b>4%</b>	<b>4,942</b>	<b>8%</b>	<b>5,228</b>	<b>6%</b>	<b>5,493</b>	<b>5%</b>
Operating Costs	-2,866	-2,894	-2,813	-3%	-2,854	1%	-2,882	1%	-2,911	1%
<b>Gross Operating Profit</b>	<b>1,755</b>	<b>1,490</b>	<b>1,756</b>	<b>18%</b>	<b>2,088</b>	<b>19%</b>	<b>2,346</b>	<b>12%</b>	<b>2,582</b>	<b>10%</b>
Loan Loss Provisions	-536	-269	-347	29%	-350	1%	-472	35%	-579	23%
Other Net Income	3	4	28	600%	0	-100%	0	nm	0	nm
<b>Operating Profit</b>	<b>1,222</b>	<b>1,225</b>	<b>1,437</b>	<b>17%</b>	<b>1,738</b>	<b>21%</b>	<b>1,874</b>	<b>8%</b>	<b>2,003</b>	<b>7%</b>
Disposal Gains and Exceptionals	-400	-1,180	-716	-39%	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>822</b>	<b>45</b>	<b>721</b>	<b>1502%</b>	<b>1,738</b>	<b>141%</b>	<b>1,874</b>	<b>8%</b>	<b>2,003</b>	<b>7%</b>
NIM (bps)	151	134	129		139		131		132	
Cost income ratio	62.0%	66.0%	61.6%		57.7%		55.1%		53.0%	
Loan loss ratio	45.3	21.6	26.1		24.8		31.8		37.2	
<b>BARCLAYCARD</b>										
Net Interest Income	3,047	3,009	3,370	12%	3,609	7%	3,821	6%	3,976	4%
Net Fees & Commissions	1,201	1,292	1,398	8%	1,442	3%	1,500	4%	1,560	4%
Net Trading Income	-7	-9	-7	-22%	-6	-14%	-6	0%	-6	0%
Net Investment Income	10	0	0	nm	0	nm	0	nm	0	nm
Insurance Net Premiums	42	36	36	0%	38	6%	40	5%	42	5%
Other Operating Income	13	17	17	0%	16	-6%	16	0%	16	0%
<b>Total Non-Interest Income</b>	<b>1,259</b>	<b>1,336</b>	<b>1,444</b>	<b>8%</b>	<b>1,490</b>	<b>3%</b>	<b>1,550</b>	<b>4%</b>	<b>1,612</b>	<b>4%</b>
Insurance Net Claims & Benefits	-1	-1	-3	200%	0	-100%	0	nm	0	nm
<b>Total Revenue</b>	<b>4,305</b>	<b>4,344</b>	<b>4,811</b>	<b>11%</b>	<b>5,099</b>	<b>6%</b>	<b>5,371</b>	<b>5%</b>	<b>5,588</b>	<b>4%</b>
Operating Costs	-1,812	-1,842	-1,963	7%	-1,963	0%	-2,022	3%	-2,082	3%
<b>Gross Operating Profit</b>	<b>2,493</b>	<b>2,502</b>	<b>2,848</b>	<b>14%</b>	<b>3,136</b>	<b>10%</b>	<b>3,350</b>	<b>7%</b>	<b>3,506</b>	<b>5%</b>
Loan Loss Provisions	-1,312	-1,049	-1,278	22%	-1,391	9%	-1,508	8%	-1,632	8%
Other Net Income	31	30	31	3%	30	-3%	31	4%	32	4%
<b>Operating Profit</b>	<b>1,212</b>	<b>1,483</b>	<b>1,601</b>	<b>8%</b>	<b>1,775</b>	<b>11%</b>	<b>1,873</b>	<b>5%</b>	<b>1,906</b>	<b>2%</b>
Disposal Gains and Exceptionals	-647	-420	-695	65%	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>565</b>	<b>1,063</b>	<b>906</b>	<b>-15%</b>	<b>1,775</b>	<b>96%</b>	<b>1,873</b>	<b>5%</b>	<b>1,906</b>	<b>2%</b>
NIM (bps)	927	851	822		811		802		789	
Cost income ratio	42.1%	42.4%	40.8%		38.5%		37.6%		37.3%	
Loan loss ratio	399	313	341		350		360		370	
<b>EUROPE RETAIL</b>										
Net Interest Income	610	428	406	-5%	358	-12%	284	-21%	233	-18%
Net Fees & Commissions	376	248	213	-14%	190	-11%	171	-10%	154	-10%
Net Trading Income	9	7	4	-43%	4	0%	4	0%	4	0%
Net Investment Income	91	52	70	35%	62	-11%	56	-10%	50	-10%
Insurance Net Premiums	463	331	268	-19%	240	-10%	216	-10%	194	-10%
Other Operating Income	-42	1	15	1400%	14	-7%	14	0%	14	0%
<b>Total Non-Interest Income</b>	<b>897</b>	<b>639</b>	<b>570</b>	<b>-11%</b>	<b>510</b>	<b>-11%</b>	<b>461</b>	<b>-10%</b>	<b>417</b>	<b>-10%</b>
Insurance Net Claims & Benefits	-503	-359	-312	-13%	-280	-10%	-252	-10%	-227	-10%
<b>Total Revenue</b>	<b>1,004</b>	<b>708</b>	<b>664</b>	<b>-6%</b>	<b>588</b>	<b>-12%</b>	<b>493</b>	<b>-16%</b>	<b>423</b>	<b>-14%</b>
Operating Costs	-1,149	-807	-812	1%	-691	-15%	-588	-15%	-499	-15%
<b>Gross Operating Profit</b>	<b>-145</b>	<b>-99</b>	<b>-148</b>	<b>50%</b>	<b>-103</b>	<b>-30%</b>	<b>-95</b>	<b>-8%</b>	<b>-77</b>	<b>-19%</b>
Loan Loss Provisions	-207	-257	-286	11%	-213	-26%	-143	-33%	-80	-44%
Other Net Income	12	13	-135	-1138%	15	-111%	15	0%	15	0%
<b>Operating Profit</b>	<b>-340</b>	<b>-343</b>	<b>-570</b>	<b>66%</b>	<b>-301</b>	<b>-47%</b>	<b>-223</b>	<b>-26%</b>	<b>-142</b>	<b>-36%</b>
Disposal Gains and Exceptionals	-427	0	-356	nm	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>-767</b>	<b>-343</b>	<b>-926</b>	<b>170%</b>	<b>-301</b>	<b>-67%</b>	<b>-223</b>	<b>-26%</b>	<b>-142</b>	<b>-36%</b>
NIM (bps)	99	77	78		75		75		75	
Cost income ratio	114%	114%	122%		118%		119%		118%	
Loan loss ratio	48	61	74		60		50		40	

Source: Company Reports and Citi Research Estimates

Figure 109. Barclays – Retail & Business Banking UK & Europe Divisional Profit and Loss Account 1H10-2H14E (£m)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>UK RETAIL BANKING</b>										
Net Interest Income	1,493	1,672	1,625	1,753	1,594	1,596	1,621	1,799	1,847	1,899
Net Fees & Commissions	624	631	591	566	567	587	567	550	580	580
Net Trading Income	0	-2	0	0	0	0	0	0	0	0
Net Investment Income	0	0	0	17	0	0	0	0	0	0
Insurance Net Premiums (PPI)	73	57	49	43	39	35	27	30	30	30
Other Operating Income	0	1	-8	7	1	-2	-2	0	0	0
<b>Total Non-Interest Income</b>	<b>697</b>	<b>687</b>	<b>632</b>	<b>633</b>	<b>607</b>	<b>620</b>	<b>592</b>	<b>580</b>	<b>610</b>	<b>610</b>
Insurance Net Claims & Benefits	-19	-12	-9	-13	-17	-16	-11	-12	-12	-12
<b>Total Revenue</b>	<b>2,171</b>	<b>2,347</b>	<b>2,248</b>	<b>2,373</b>	<b>2,184</b>	<b>2,200</b>	<b>2,202</b>	<b>2,367</b>	<b>2,445</b>	<b>2,497</b>
Operating Costs	-1,322	-1,487	-1,343	-1,523	-1,470	-1,424	-1,393	-1,420	-1,430	-1,423
<b>Gross Operating Profit</b>	<b>849</b>	<b>860</b>	<b>905</b>	<b>850</b>	<b>714</b>	<b>776</b>	<b>809</b>	<b>947</b>	<b>1,015</b>	<b>1,074</b>
Loan Loss Provisions	-447	-372	-275	-261	-122	-147	-178	-169	-173	-177
Other Net Income	2	-3	1	2	0	4	28	0	0	0
<b>Operating Profit</b>	<b>404</b>	<b>485</b>	<b>631</b>	<b>591</b>	<b>592</b>	<b>633</b>	<b>659</b>	<b>778</b>	<b>842</b>	<b>896</b>
Disposal Gains and Exceptionals	100	0	-400	0	-300	-880	-687	-29	0	0
<b>Pretax Profit</b>	<b>504</b>	<b>485</b>	<b>231</b>	<b>591</b>	<b>292</b>	<b>-247</b>	<b>-28</b>	<b>749</b>	<b>842</b>	<b>896</b>
NIM (bps)	140	151	145	149	128	140	122	136	138	141
Cost income ratio	60.9%	63.4%	59.7%	64.2%	67.3%	60.5%	63.3%	60.0%	58.5%	57.0%
Loan loss ratio	82.4	64.8	47.1	43.7	20.0	23.4	27.0	24.8	24.8	24.8
<b>BARCLAYCARD</b>										
Net Interest Income	1,369	1,445	1,370	1,677	1,467	1,542	1,626	1,744	1,779	1,829
Net Fees & Commissions	569	567	571	630	618	674	698	700	714	728
Net Trading Income	-4	-4	-3	-4	-5	-4	-4	-3	-3	-3
Net Investment Income	10	29	0	10	0	0	0	0	0	0
Insurance Net Premiums	19	31	21	21	22	14	14	22	19	19
Other Operating Income	2	-1	134	-121	11	6	9	8	8	8
<b>Total Non-Interest Income</b>	<b>596</b>	<b>622</b>	<b>723</b>	<b>536</b>	<b>646</b>	<b>690</b>	<b>717</b>	<b>727</b>	<b>738</b>	<b>752</b>
Insurance Net Claims & Benefits	-7	-1	-2	1	-1	0	0	-3	0	0
<b>Total Revenue</b>	<b>1,958</b>	<b>2,066</b>	<b>2,091</b>	<b>2,214</b>	<b>2,112</b>	<b>2,232</b>	<b>2,343</b>	<b>2,468</b>	<b>2,517</b>	<b>2,582</b>
Operating Costs	-764	-806	-856	-956	-886	-956	-963	-1,000	-982	-981
<b>Gross Operating Profit</b>	<b>1,194</b>	<b>1,260</b>	<b>1,235</b>	<b>1,258</b>	<b>1,226</b>	<b>1,276</b>	<b>1,380</b>	<b>1,468</b>	<b>1,536</b>	<b>1,601</b>
Loan Loss Provisions	-890	-798	-669	-643	-492	-557	-616	-662	-676	-715
Other Net Income	13	12	18	13	17	13	16	15	15	15
<b>Operating Profit</b>	<b>317</b>	<b>474</b>	<b>584</b>	<b>628</b>	<b>751</b>	<b>732</b>	<b>780</b>	<b>821</b>	<b>874</b>	<b>901</b>
Disposal Gains and Exceptionals	0	0	-647	0	0	-420	-695	0	0	0
<b>Pretax Profit</b>	<b>317</b>	<b>474</b>	<b>-63</b>	<b>628</b>	<b>751</b>	<b>312</b>	<b>85</b>	<b>821</b>	<b>874</b>	<b>901</b>
NIM (bps)	954	999	932	982	894	856	829	815	815	806
Cost income ratio	39.0%	39.0%	40.9%	43.2%	42.0%	43.0%	41.0%	40.5%	39.0%	38.0%
Loan loss ratio	620	552	455	377	300	294	339	340	345	355
<b>EUROPE RETAIL</b>										
Net Interest Income	335	344	358	252	221	207	219	187	182	176
Net Fees & Commissions	214	207	219	157	131	117	93	120	100	90
Net Trading Income	7	13	5	4	4	3	-1	5	2	2
Net Investment Income	36	31	33	58	27	25	45	25	31	31
Insurance Net Premiums	262	217	254	209	220	111	148	120	120	120
Other Operating Income	24	-15	-100	58	13	-12	10	5	7	7
<b>Total Non-Interest Income</b>	<b>543</b>	<b>453</b>	<b>411</b>	<b>486</b>	<b>395</b>	<b>244</b>	<b>295</b>	<b>275</b>	<b>260</b>	<b>250</b>
Insurance Net Claims & Benefits	-276	-235	-272	-231	-237	-122	-162	-150	-140	-140
<b>Total Revenue</b>	<b>602</b>	<b>562</b>	<b>497</b>	<b>507</b>	<b>379</b>	<b>329</b>	<b>352</b>	<b>312</b>	<b>302</b>	<b>286</b>
Operating Costs	-495	-538	-594	-555	-409	-398	-422	-390	-362	-329
<b>Gross Operating Profit</b>	<b>107</b>	<b>24</b>	<b>-97</b>	<b>-48</b>	<b>-30</b>	<b>-69</b>	<b>-70</b>	<b>-78</b>	<b>-60</b>	<b>-43</b>
Loan Loss Provisions	-133	-181	-96	-111	-125	-132	-142	-144	-118	-95
Other Net Income	7	8	8	4	7	6	-141	6	7	8
<b>Operating Profit</b>	<b>-19</b>	<b>-149</b>	<b>-185</b>	<b>-155</b>	<b>-148</b>	<b>-195</b>	<b>-353</b>	<b>-217</b>	<b>-171</b>	<b>-130</b>
Disposal Gains and Exceptionals	29	0	0	-427	0	0	-356	0	0	0
<b>Pretax Profit</b>	<b>10</b>	<b>-149</b>	<b>-185</b>	<b>-582</b>	<b>-148</b>	<b>-195</b>	<b>-709</b>	<b>-217</b>	<b>-171</b>	<b>-130</b>
NIM (bps)	114	117	117	82	81	67	82	75	75	75
Cost income ratio	82%	96%	120%	109%	108%	121%	221%	125%	120%	115%
Loan loss ratio	66	87	43	51	60	66	70	75	65	55

Source: Company Reports and Citi Research Estimates

Figure 110. Barclays – Retail & Business Banking Africa & Other Divisional Profit and Loss Account 2011-16E (£m)

	2011	2012	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>AFRICA RETAIL</b>										
Net Interest Income	1,874	1,654	1,416	-14%	1,325	-6%	1,357	2%	1,379	2%
Net Fees & Commissions	1,179	1,065	957	-10%	1,030	8%	1,133	10%	1,246	10%
Net Trading Income	3	-4	33	-920%	22	-33%	23	5%	24	5%
Net Investment Income	56	5	15	200%	13	-13%	13	0%	13	0%
Net Premiums from Insurance Contracts	432	417	359	-14%	400	11%	440	10%	484	10%
Other Operating Income	35	-2	63	-3250%	60	-5%	60	0%	60	0%
<b>Total Non-Interest Income</b>	<b>1,705</b>	<b>1,481</b>	<b>1,426</b>	<b>-4%</b>	<b>1,525</b>	<b>7%</b>	<b>1,669</b>	<b>9%</b>	<b>1,828</b>	<b>9%</b>
Insurance Net Claims & Benefits	-215	-207	-192	-7%	-200	4%	-216	8%	-233	8%
<b>Total Revenue</b>	<b>3,364</b>	<b>2,928</b>	<b>2,649</b>	<b>-10%</b>	<b>2,650</b>	<b>0%</b>	<b>2,810</b>	<b>6%</b>	<b>2,973</b>	<b>6%</b>
Operating Costs	-2,177	-1,984	-1,834	-8%	-1,788	-2%	-1,770	-1%	-1,784	1%
<b>Gross Operating Profit</b>	<b>1,187</b>	<b>944</b>	<b>815</b>	<b>-14%</b>	<b>861</b>	<b>6%</b>	<b>1,040</b>	<b>21%</b>	<b>1,189</b>	<b>14%</b>
Loan Loss Provisions	-462	-632	-347	-45%	-343	-1%	-344	0%	-344	0%
Income From JV's & Associates	5	10	3	-70%	0	-100%	0	nm	0	nm
<b>Operating Profit</b>	<b>730</b>	<b>322</b>	<b>471</b>	<b>46%</b>	<b>518</b>	<b>10%</b>	<b>696</b>	<b>34%</b>	<b>845</b>	<b>21%</b>
Disposal Gains and Exceptionals	2	0	-9	nm	0	-100%	0	nm	0	nm
<b>Pretax Profit</b>	<b>732</b>	<b>322</b>	<b>462</b>	<b>44%</b>	<b>518</b>	<b>12%</b>	<b>696</b>	<b>34%</b>	<b>845</b>	<b>21%</b>
NIM (bps)	0	3,052,055	3,063,815		3,074,688		3,150,000		3,200,000	
Cost income ratio (excludes net claims) (%)	64.7%	67.8%	69.2%		67.5%		63.0%		60.0%	
Bad debts Advances (bp)	124	197	120		131		130		130	
<b>HEAD OFFICE &amp; ADJUSTMENTS</b>										
Total Revenue	-88	356	-346	-197%	-450	30%	-675	50%	-900	33%
Operating Costs	-43	-165	-70	-58%	-60	-14%	-179	198%	-161	-10%
Loan Loss Provisions	-3	-6	0	-100%	0	nm	0	nm	0	nm
<b>Operating Profit</b>	<b>-135</b>	<b>208</b>	<b>-417</b>	<b>-300%</b>	<b>-510</b>	<b>22%</b>	<b>-854</b>	<b>67%</b>	<b>-1,061</b>	<b>24%</b>
FVOD gain/loss	2,708	-4,579	-125	-97%	0	-100%	0	nm	0	nm
Disposal Gains and Exceptionals	-752	227	-450	-298%	-1,000	122%	-750	-25%	-750	0%
<b>Pretax Profit</b>	<b>1,821</b>	<b>-4,144</b>	<b>-992</b>	<b>-76%</b>	<b>-1,510</b>	<b>52%</b>	<b>-1,604</b>	<b>6%</b>	<b>-1,811</b>	<b>13%</b>

Source: Company Reports and Citi Research Estimates

Figure 111. Barclays – Retail & Business Banking Africa & Other Divisional Profit and Loss Account 1H10-2H14E (£m)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>AFRICA RETAIL</b>										
Net Interest Income	1,007	1,026	824	1,050	835	819	733	683	665	659
Net Fees & Commissions	633	685	650	529	539	526	478	479	502	528
Net Trading Income	61	-8	43	-40	6	-10	-2	35	20	2
Net Investment Income	-17	75	30	26	8	-3	10	5	6	7
Net Premiums from Insurance Contracts	187	212	216	216	214	203	185	174	200	200
Other Operating Income	24	30	25	10	-1	-1	43	20	30	30
<b>Total Non-Interest Income</b>	<b>888</b>	<b>994</b>	<b>964</b>	<b>741</b>	<b>766</b>	<b>715</b>	<b>714</b>	<b>712</b>	<b>758</b>	<b>767</b>
Insurance Net Claims & Benefits	-113	-102	-113	-102	-108	-99	-95	-97	-100	-100
<b>Total Revenue</b>	<b>1,895</b>	<b>2,020</b>	<b>1,675</b>	<b>1,689</b>	<b>1,493</b>	<b>1,435</b>	<b>1,352</b>	<b>1,297</b>	<b>1,324</b>	<b>1,326</b>
Operating Costs	-1,069	-1,349	-1,102	-1,075	-999	-985	-926	-908	-900	-888
<b>Gross Operating Profit</b>	<b>826</b>	<b>671</b>	<b>573</b>	<b>614</b>	<b>494</b>	<b>450</b>	<b>426</b>	<b>389</b>	<b>424</b>	<b>438</b>
Loan Loss Provisions	-330	-232	-268	-194	-314	-318	-208	-139	-173	-170
Income From JV's & Associates	1	2	3	2	3	7	3	0	0	0
<b>Operating Profit</b>	<b>384</b>	<b>339</b>	<b>308</b>	<b>422</b>	<b>183</b>	<b>139</b>	<b>221</b>	<b>250</b>	<b>251</b>	<b>267</b>
Disposal Gains and Exceptionals	4	77	0	2	0	0	-9	0	0	0
<b>Pretax Profit</b>	<b>388</b>	<b>416</b>	<b>308</b>	<b>424</b>	<b>183</b>	<b>139</b>	<b>212</b>	<b>250</b>	<b>251</b>	<b>267</b>
<b>HEAD OFFICE &amp; ADJUSTMENTS</b>										
Total Revenue	-36	-143	-25	-63	387	-31	-134	-212	-225	-225
Operating Costs	-390	-189	-14	-29	-98	-67	-24	-46	-30	-30
Loan Loss Provisions	5	-7	1	-4	-5	-1	1	-1	0	0
<b>Operating Profit</b>	<b>-421</b>	<b>-338</b>	<b>-40</b>	<b>-95</b>	<b>309</b>	<b>-101</b>	<b>-157</b>	<b>-260</b>	<b>-255</b>	<b>-255</b>
FVOD gain/loss	851	-460	89	2,618	-2,945	-1,634	86	-211	0	0
Disposal Gains and Exceptionals	0	0	-59	-693	227	0	0	-450	-500	-500
<b>Pretax Profit</b>	<b>430</b>	<b>-798</b>	<b>-10</b>	<b>1,830</b>	<b>-2,409</b>	<b>-1,735</b>	<b>-71</b>	<b>-921</b>	<b>-755</b>	<b>-755</b>

Source: Company Reports and Citi Research Estimates



Figure 112. Barclays – Summary Group & Divisional Profit and Loss Account 1Q12-4Q14E (£m)

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13E	1Q14E	2Q14E	3Q14E	4Q14E
<b>Group</b>												
Revenues	8,108	7,384	7,002	6,867	7,734	7,337	6,445	6,680	7,645	7,500	7,161	6,981
Expenses	-4,965	-4,555	-4,353	-4,690	-4,782	-4,359	-4,262	-4,733	-4,420	-4,337	-4,184	-4,635
<b>Gross Operating Profit</b>	<b>3,143</b>	<b>2,829</b>	<b>2,649</b>	<b>2,177</b>	<b>2,952</b>	<b>2,978</b>	<b>2,183</b>	<b>1,948</b>	<b>3,226</b>	<b>3,163</b>	<b>2,977</b>	<b>2,346</b>
Impairments	-784	-926	-805	-825	-706	-925	-722	-783	-759	-759	-768	-768
JVs & Associates	36	41	21	43	54	-122	25	11	19	19	20	20
<b>Operating Profit</b>	<b>2,395</b>	<b>1,944</b>	<b>1,865</b>	<b>1,395</b>	<b>2,300</b>	<b>1,931</b>	<b>1,486</b>	<b>1,176</b>	<b>2,486</b>	<b>2,423</b>	<b>2,229</b>	<b>1,598</b>
FVOD gains/losses	-2,620	-325	-1,074	-560	-251	337	-211	0	0	0	0	0
Disposal gains/Losses & Exceptionals	-300	-223	-700	-1,000	-514	-2,126	-101	-441	-250	-250	-250	-250
<b>Pre-Tax Profit</b>	<b>-525</b>	<b>1,396</b>	<b>91</b>	<b>-165</b>	<b>1,535</b>	<b>142</b>	<b>1,174</b>	<b>735</b>	<b>2,236</b>	<b>2,173</b>	<b>1,979</b>	<b>1,348</b>
Tax on continuing operations	140	-453	-104	-199	-491	-103	-446	-195	-593	-560	-505	-344
<b>Profit After Tax</b>	<b>-385</b>	<b>943</b>	<b>-13</b>	<b>-364</b>	<b>1,044</b>	<b>39</b>	<b>728</b>	<b>540</b>	<b>1,643</b>	<b>1,614</b>	<b>1,475</b>	<b>1,004</b>
<b>Barclays Capital</b>												
Fixed Income, Currency & Commodities	2,319	1,761	1,675	1,494	2,190	1,378	940	1,044	1,865	1,585	1,347	1,078
Equities and Prime Services	591	615	523	454	706	825	645	613	777	761	685	630
Investment Banking	515	509	493	620	558	528	525	604	558	658	599	683
Principal Investments	11	139	30	26	9	279	1	30	10	10	10	10
<b>Total revenue</b>	<b>3,436</b>	<b>3,024</b>	<b>2,721</b>	<b>2,594</b>	<b>3,463</b>	<b>3,010</b>	<b>2,111</b>	<b>2,291</b>	<b>3,209</b>	<b>3,015</b>	<b>2,641</b>	<b>2,401</b>
Operating Costs	-2,195	-1,849	-1,737	-1,850	-2,054	-1,697	-1,622	-2,114	-1,787	-1,705	-1,557	-2,008
<b>Gross Operating Profit</b>	<b>1,241</b>	<b>1,175</b>	<b>984</b>	<b>744</b>	<b>1,409</b>	<b>1,313</b>	<b>489</b>	<b>176</b>	<b>1,422</b>	<b>1,309</b>	<b>1,084</b>	<b>393</b>
Total impairments	-81	-121	-3	1	14	-195	-25	-50	-50	-50	-50	-50
Other Net Income	22	6	7	15	8	9	5	9	8	8	8	8
<b>Operating Profit</b>	<b>1,182</b>	<b>1,060</b>	<b>988</b>	<b>760</b>	<b>1,431</b>	<b>1,127</b>	<b>469</b>	<b>135</b>	<b>1,380</b>	<b>1,267</b>	<b>1,042</b>	<b>351</b>
<b>Divisional Operating Profit</b>												
UK Retail	232	360	358	275	299	360	380	398	411	431	443	453
BarclayCard	347	404	396	336	363	417	403	418	432	442	441	461
Europe Retail	-72	-76	-81	-114	-106	-247	-105	-112	-81	-91	-65	-65
Africa Retail	132	51	34	105	81	140	134	116	125	125	134	134
<b>Retail &amp; Business Banking</b>	<b>639</b>	<b>739</b>	<b>707</b>	<b>602</b>	<b>637</b>	<b>670</b>	<b>812</b>	<b>821</b>	<b>888</b>	<b>908</b>	<b>952</b>	<b>982</b>
Investment Bank	1,182	1,060	988	760	1,431	1,127	469	135	1,380	1,267	1,042	351
Corporate	203	108	88	61	220	223	289	243	262	282	268	288
Wealth	50	49	70	105	60	20	51	101	84	94	94	104
<b>IB, Corporate &amp; Wealth</b>	<b>1,435</b>	<b>1,217</b>	<b>1,146</b>	<b>926</b>	<b>1,711</b>	<b>1,370</b>	<b>809</b>	<b>480</b>	<b>1,726</b>	<b>1,643</b>	<b>1,404</b>	<b>743</b>
Head Office & Other	320	-11	12	-113	-48	-109	-135	-125	-128	-128	-128	-128
<b>Total</b>	<b>2,394</b>	<b>1,945</b>	<b>1,865</b>	<b>1,415</b>	<b>2,300</b>	<b>1,931</b>	<b>1,486</b>	<b>1,176</b>	<b>2,486</b>	<b>2,423</b>	<b>2,229</b>	<b>1,598</b>

Source: Company Reports and Citi Research Estimates

## HSBC

Figure 113. HSBC — Group Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Net Interest Income</b>	<b>39,441</b>	<b>40,662</b>	<b>37,672</b>	<b>-7%</b>	<b>35,565</b>	<b>-6%</b>	<b>37,576</b>	<b>6%</b>	<b>40,125</b>	<b>7%</b>	<b>42,873</b>	<b>7%</b>
Net Fee Income	17,355	17,160	16,430	-4%	16,508	0%	17,456	6%	18,693	7%	20,028	7%
Trading Income	7,210	6,506	7,091	9%	10,191	44%	10,215	0%	10,850	6%	11,528	6%
Total Other Income (ex NII, Fees, Trading)	4,241	7,952	7,137	-10%	4,409	-38%	3,247	-26%	3,581	10%	3,937	10%
<b>Total Income</b>	<b>68,247</b>	<b>72,280</b>	<b>68,330</b>	<b>-5%</b>	<b>66,673</b>	<b>-2%</b>	<b>68,494</b>	<b>3%</b>	<b>73,249</b>	<b>7%</b>	<b>78,366</b>	<b>7%</b>
Employee compensation & benefits	-19,836	-21,166	-20,491	-3%	-18,986	-7%	-19,167	1%	-20,054	5%	-20,992	5%
General Administrative Expenses	-15,156	-17,459	-19,983	14%	-16,585	-17%	-16,743	1%	-17,518	5%	-18,337	5%
Depreciation	-1,887	-2,044	-1,717	-16%	-1,848	8%	-1,866	1%	-1,952	5%	-2,044	5%
Amortisation of intang. & goodwill imprmt	-809	-876	-736	-16%	-792	8%	-800	1%	-837	5%	-876	5%
<b>Total Costs</b>	<b>-37,688</b>	<b>-41,545</b>	<b>-42,927</b>	<b>3%</b>	<b>-38,212</b>	<b>-11%</b>	<b>-38,575</b>	<b>1%</b>	<b>-40,361</b>	<b>5%</b>	<b>-42,248</b>	<b>5%</b>
<b>Operating Profit</b>	<b>30,559</b>	<b>30,735</b>	<b>25,403</b>	<b>-17%</b>	<b>28,462</b>	<b>12%</b>	<b>29,918</b>	<b>5%</b>	<b>32,887</b>	<b>10%</b>	<b>36,118</b>	<b>10%</b>
Loan Impairment Losses	-14,039	-12,127	-8,311	-31%	-6,435	-23%	-5,961	-7%	-5,964	0%	-6,050	1%
Exceptionals	0	0	0	0%	0	0%	0	90%	0	93%	0	104%
Associates, JV & Other	2,517	3,264	3,557	9%	2,464	-31%	2,640	7%	2,854	8%	3,090	8%
<b>PBT</b>	<b>19,037</b>	<b>21,872</b>	<b>20,649</b>	<b>-6%</b>	<b>24,491</b>	<b>19%</b>	<b>26,598</b>	<b>9%</b>	<b>29,778</b>	<b>12%</b>	<b>33,158</b>	<b>11%</b>
Taxation	-4,846	-3,928	-5,315	35%	-5,067	-5%	-5,852	15%	-6,551	12%	-7,295	11%
Minorities	-1,032	-1,147	-1,307	14%	-1,547	18%	-1,655	7%	-1,836	11%	-2,029	11%
<b>Post-tax profit</b>	<b>14,191</b>	<b>17,944</b>	<b>15,334</b>	<b>-15%</b>	<b>19,424</b>	<b>27%</b>	<b>20,746</b>	<b>7%</b>	<b>23,227</b>	<b>12%</b>	<b>25,863</b>	<b>11%</b>
Dividends	-5,937	-6,928	-7,469	8%	-8,868	19%	-9,912	12%	-10,993	11%	-11,156	1%
o/w scrip	-2,524	-2,232	-2,429	0%	-2,661	0%	-2,974	0%	-3,298	0%	-3,347	0%
Pref Shares & Capital Security 'dividends'	-413	-573	-573	0%	-536	0%	-558	0%	-580	0%	-603	0%
<b>Retained Profit</b>	<b>9,333</b>	<b>11,528</b>	<b>8,414</b>	<b>-27%</b>	<b>11,133</b>	<b>32%</b>	<b>11,595</b>	<b>4%</b>	<b>13,116</b>	<b>13%</b>	<b>15,422</b>	<b>18%</b>
<b>Per share data</b>												
<b>EPS (Reported)</b>	<b>73.2c</b>	<b>91.3c</b>	<b>74.0c</b>	<b>-19%</b>	<b>93.3c</b>	<b>26%</b>	<b>98.4c</b>	<b>6%</b>	<b>109.0c</b>	<b>11%</b>	<b>119.9c</b>	<b>10%</b>
EPS (Fully Diluted)	72.3c	90.5c	73.6c	-19%	92.8c	26%	97.9c	6%	108.4c	11%	119.3c	10%
<b>Dividend per share (paid out)</b>	<b>34.0c</b>	<b>39.0c</b>	<b>41.0c</b>	<b>5%</b>	<b>48.0c</b>	<b>17%</b>	<b>53.0c</b>	<b>10%</b>	<b>58.0c</b>	<b>9%</b>	<b>58.0c</b>	<b>0%</b>
<b>Dividend per share (declared)</b>	<b>36.0c</b>	<b>41.0c</b>	<b>45.0c</b>	<b>10%</b>	<b>50.0c</b>	<b>11%</b>	<b>55.0c</b>	<b>10%</b>	<b>62.0c</b>	<b>13%</b>	<b>62.0c</b>	<b>0%</b>
<b>BVPS</b>	<b>7.94</b>	<b>8.48</b>	<b>9.09</b>	<b>7%</b>	<b>9.37</b>	<b>3%</b>	<b>9.86</b>	<b>5%</b>	<b>10.40</b>	<b>5%</b>	<b>11.04</b>	<b>6%</b>
Tangible BVPS	6.25	6.86	7.47	9%	7.85	5%	8.35	6%	8.91	7%	9.57	7%
<b>Operating Ratios</b>												
<b>ROE</b>	<b>9.6%</b>	<b>11.1%</b>	<b>8.4%</b>		<b>10.1%</b>		<b>10.2%</b>		<b>10.8%</b>		<b>11.2%</b>	
Net Interest margin (NII/ Avg. ATA)	1.64%	1.62%	1.44%		1.32%		1.36%		1.37%		1.38%	
<b>Cost / income ratio</b>	<b>55%</b>	<b>57%</b>	<b>63%</b>		<b>57%</b>		<b>56%</b>		<b>55%</b>		<b>54%</b>	
<b>Asset Quality</b>												
Provision charge / gross customer loans (bps)	146	129	83		64		56		53		51	
<b>Non Performing Loan Ratio</b>	<b>2.7%</b>	<b>4.4%</b>	<b>3.9%</b>		<b>3.7%</b>		<b>3.4%</b>		<b>3.2%</b>		<b>3.0%</b>	
<b>Coverage</b>	<b>86%</b>	<b>42%</b>	<b>42%</b>		<b>46%</b>		<b>49%</b>		<b>52%</b>		<b>55%</b>	
<b>Summary Balance Sheet (US\$ / %)</b>												
<b>Customer Loans</b>	<b>958,366</b>	<b>940,429</b>	<b>997,623</b>	<b>6%</b>	<b>1,004,918</b>	<b>1%</b>	<b>1,061,365</b>	<b>6%</b>	<b>1,124,542</b>	<b>6%</b>	<b>1,193,046</b>	<b>6%</b>
Deposits	1,227,725	1,253,925	1,340,014	7%	1,364,181	2%	1,443,559	6%	1,534,144	6%	1,631,361	6%
<b>Common Equity</b>	<b>140,427</b>	<b>151,520</b>	<b>167,945</b>	<b>11%</b>	<b>175,281</b>	<b>4%</b>	<b>186,876</b>	<b>7%</b>	<b>199,992</b>	<b>7%</b>	<b>215,414</b>	<b>8%</b>
Loan to deposit ratio	78%	75%	74%		74%		74%		73%		73%	
Equity capital ratio (B3)	-	8.1%	9.5%		10.8%		11.2%		11.7%		11.7%	
Equity capital ratio (B2)	10.5%	10.1%	12.3%		13.4%		13.6%		13.9%		14.3%	
Tier 1 Ratio	12.1%	11.5%	13.4%		14.2%		14.4%		14.7%		15.1%	
<b>Total Capital Ratio</b>	<b>15.2%</b>	<b>14.1%</b>	<b>16.1%</b>		<b>17.2%</b>		<b>17.5%</b>		<b>17.7%</b>		<b>18.1%</b>	

Source: Company Reports and Citi Research Estimates



Figure 114. HSBC — Group Profit and Loss Account, 1H10-2H14E (US Dollars in Millions)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>Net Interest Income</b>	<b>19,757</b>	<b>19,684</b>	<b>20,235</b>	<b>20,427</b>	<b>19,376</b>	<b>18,296</b>	<b>17,819</b>	<b>17,746</b>	<b>18,811</b>	<b>18,765</b>
Net Fee Income	8,518	8,837	8,807	8,353	8,307	8,123	8,404	8,104	8,879	8,577
Trading Income	3,552	3,658	4,812	1,694	4,519	2,572	6,362	3,829	6,320	3,895
Total Other Income (ex NII, Fees, Trading)	3,724	517	1,840	6,112	4,695	2,442	1,787	2,622	625	2,623
<b>Total Income</b>	<b>35,551</b>	<b>32,696</b>	<b>35,694</b>	<b>36,586</b>	<b>36,897</b>	<b>31,433</b>	<b>34,372</b>	<b>32,301</b>	<b>34,634</b>	<b>33,860</b>
Employee compensation & benefits	-9,806	-10,030	-10,521	-10,645	-10,905	-9,586	-9,496	-9,490	-9,586	-9,580
General Administrative Expenses	-7,014	-8,142	-8,419	-9,040	-9,125	-10,858	-7,727	-8,858	-7,801	-8,942
Depreciation	-904	-984	-1,099	-945	-822	-895	-823	-1,025	-858	-1,009
Amortisation of intangibles and goodwill impairment	-387	-422	-471	-405	-352	-384	-353	-439	-368	-432
<b>Total Costs</b>	<b>-18,111</b>	<b>-19,577</b>	<b>-20,510</b>	<b>-21,035</b>	<b>-21,204</b>	<b>-21,723</b>	<b>-18,399</b>	<b>-19,813</b>	<b>-18,612</b>	<b>-19,964</b>
<b>Operating Profit</b>	<b>17,440</b>	<b>13,119</b>	<b>15,184</b>	<b>15,551</b>	<b>15,693</b>	<b>9,710</b>	<b>15,973</b>	<b>12,489</b>	<b>16,022</b>	<b>13,897</b>
Loan Impairment Losses	-7,523	-6,516	-5,266	-6,861	-4,799	-3,512	-3,116	-3,319	-2,920	-3,040
Exceptionals	0	0	0	0	0	0	0	0	0	0
Associates, JV & Other	1,187	1,330	1,556	1,708	1,843	1,713	1,214	1,250	1,300	1,340
<b>PBT</b>	<b>11,104</b>	<b>7,933</b>	<b>11,474</b>	<b>10,398</b>	<b>12,737</b>	<b>7,911</b>	<b>14,071</b>	<b>10,420</b>	<b>14,401</b>	<b>12,197</b>
<b>Taxation</b>	<b>-3,856</b>	<b>-990</b>	<b>-1,712</b>	<b>-2,216</b>	<b>-3,629</b>	<b>-1,686</b>	<b>-2,725</b>	<b>-2,342</b>	<b>-3,168</b>	<b>-2,683</b>
Minorities	-485	-547	-547	-600	-670	-637	-1,062	-485	-828	-828
<b>Post-tax profit</b>	<b>7,248</b>	<b>6,943</b>	<b>9,762</b>	<b>8,182</b>	<b>9,108</b>	<b>6,225</b>	<b>11,346</b>	<b>8,078</b>	<b>11,233</b>	<b>9,513</b>
Dividends	-3,127	-2,810	-3,720	-3,207	-4,168	-3,301	-5,200	-3,668	-4,956	-4,956
o/w scrip	-1,584	-940	-1,334	-898	-1,007	-1,422	-707	-1,954	-1,487	-1,487
Preference Shares & Capital Security 'dividends'	-134	-279	-286	-286	-287	-287	-268	-268	-279	-279
<b>Retained Profit</b>	<b>5,086</b>	<b>4,247</b>	<b>6,543</b>	<b>4,987</b>	<b>4,991</b>	<b>3,423</b>	<b>5,523</b>	<b>5,610</b>	<b>6,657</b>	<b>4,938</b>
<b>Per share data</b>										
<b>EPS (Reported)</b>	<b>38.3c</b>	<b>34.8c</b>	<b>50.6c</b>	<b>40.9c</b>	<b>45.3c</b>	<b>28.9c</b>	<b>54.0c</b>	<b>39.2c</b>	<b>53.7c</b>	<b>44.3c</b>
EPS (Fully Diluted)	37.9c	34.7c	49.9c	40.7c	44.9c	28.8c	53.8c	39.0c	53.5c	44.1c
<b>Dividend per share (paid out)</b>	<b>18.0c</b>	<b>16.0c</b>	<b>21.0c</b>	<b>18.0c</b>	<b>23.0c</b>	<b>18.0c</b>	<b>28.0c</b>	<b>20.0c</b>	<b>31.0c</b>	<b>22.0c</b>
<b>Dividend per share (declared)</b>	<b>16.0c</b>	<b>20.0c</b>	<b>18.0c</b>	<b>23.0c</b>	<b>18.0c</b>	<b>27.0c</b>	<b>20.0c</b>	<b>30.0c</b>	<b>22.0c</b>	<b>33.0c</b>
<b>BVPS</b>	<b>7.35</b>	<b>7.94</b>	<b>8.59</b>	<b>8.48</b>	<b>8.73</b>	<b>9.09</b>	<b>8.96</b>	<b>9.33</b>	<b>9.62</b>	<b>9.81</b>
Tangible BVPS	5.76	5.94	6.79	6.69	7.14	7.47	7.43	7.81	8.11	8.31
<b>Operating Ratios</b>										
<b>ROE</b>	<b>10.5%</b>	<b>9.4%</b>	<b>12.5%</b>	<b>9.6%</b>	<b>10.5%</b>	<b>6.5%</b>	<b>12.3%</b>	<b>8.6%</b>	<b>11.3%</b>	<b>9.1%</b>
Net Interest margin (NII/ Avg. ATA)	1.65%	1.62%	1.57%	1.56%	1.49%	1.37%	1.34%	1.33%	1.38%	1.34%
<b>Cost / income ratio</b>	<b>51%</b>	<b>60%</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>	<b>69%</b>	<b>54%</b>	<b>61%</b>	<b>54%</b>	<b>59%</b>
<b>Asset Quality</b>										
Provision charge / gross customer loans (bps)	168	136	101	146	98	70	64	66	57	57
<b>Non Performing Loan Ratio</b>	<b>3.1%</b>	<b>2.7%</b>	<b>2.5%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.7%</b>	<b>3.5%</b>	<b>3.4%</b>
<b>Coverage</b>	<b>79%</b>	<b>86%</b>	<b>72%</b>	<b>42%</b>	<b>42%</b>	<b>42%</b>	<b>41%</b>	<b>46%</b>	<b>47%</b>	<b>49%</b>
<b>Summary Balance Sheet (US\$ / %)</b>										
<b>Customer Loans</b>	<b>893,337</b>	<b>958,366</b>	<b>1,037,889</b>	<b>940,429</b>	<b>974,985</b>	<b>997,623</b>	<b>969,382</b>	<b>1,004,918</b>	<b>1,033,009</b>	<b>1,061,365</b>
Deposits	1,147,321	1,227,725	1,319,121	1,253,925	1,278,489	1,340,014	1,316,182	1,364,181	1,403,872	1,443,559
<b>Common Equity</b>	<b>128,699</b>	<b>132,946</b>	<b>153,057</b>	<b>151,520</b>	<b>158,572</b>	<b>167,945</b>	<b>166,898</b>	<b>175,281</b>	<b>181,938</b>	<b>186,876</b>
Loan to deposit ratio	78%	78%	79%	75%	76%	74%	74%	74%	74%	74%
Equity capital ratio (B3)										
Equity capital ratio (B2)	9.9%	10.5%	10.8%	10.1%	11.3%	12.3%	12.8%	13.4%	13.4%	13.6%
Tier 1 Ratio	11.5%	12.1%	12.2%	11.5%	12.7%	13.4%	13.6%	14.2%	14.1%	14.4%
<b>Total Capital Ratio</b>	<b>14.4%</b>	<b>15.2%</b>	<b>14.9%</b>	<b>14.1%</b>	<b>15.1%</b>	<b>16.1%</b>	<b>16.6%</b>	<b>17.2%</b>	<b>17.1%</b>	<b>17.5%</b>

Source: Company Reports and Citi Research Estimates

Figure 115. HSBC — Regional Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Hong Kong</b>												
Net Interest Income	4,246	4,691	5,316	13%	5,816	9%	6,321	9%	6,944	10%	7,629	10%
Net Fee Income	2,962	3,097	3,335	8%	3,966	19%	4,312	9%	4,709	9%	5,143	9%
Trading Income	1,312	1,189	1,463	23%	1,662	14%	1,787	8%	1,931	8%	2,086	8%
Other Income	1,682	1,705	2,308	35%	1,919	-17%	1,884	-2%	1,988	6%	2,098	6%
<b>Total Income</b>	<b>10,202</b>	<b>10,682</b>	<b>12,422</b>	<b>16%</b>	<b>13,362</b>	<b>8%</b>	<b>14,305</b>	<b>7%</b>	<b>15,571</b>	<b>9%</b>	<b>16,956</b>	<b>9%</b>
Costs	-4,431	-4,758	-4,848	2%	-4,905	1%	-5,083	4%	-5,388	6%	-5,711	6%
Impairment Losses	-114	-156	-74	-53%	-181	145%	-342	89%	-427	25%	-533	25%
<b>Trading Profit</b>	<b>5,657</b>	<b>5,768</b>	<b>7,500</b>	<b>30%</b>	<b>8,277</b>	<b>10%</b>	<b>8,879</b>	<b>7%</b>	<b>9,757</b>	<b>10%</b>	<b>10,712</b>	<b>10%</b>
Other	35	55	82	49%	66	-20%	67	1%	67	1%	68	1%
<b>PBT</b>	<b>5,692</b>	<b>5,823</b>	<b>7,582</b>	<b>30%</b>	<b>8,343</b>	<b>10%</b>	<b>8,946</b>	<b>7%</b>	<b>9,824</b>	<b>10%</b>	<b>10,780</b>	<b>10%</b>
Loans	140,691	157,665	173,613	10%	196,360	13%	211,929	8%	230,257	9%	250,255	9%
<b>Rest of APR</b>												
Net Interest Income	3,828	5,102	5,391	6%	5,258	-2%	5,618	7%	6,066	8%	6,551	8%
Net Fee Income	1,932	2,111	2,083	-1%	2,090	0%	2,238	7%	2,420	8%	2,618	8%
Trading Income	1,618	1,658	1,053	-36%	668	-37%	762	14%	885	16%	1,019	15%
Other Income	1,854	1,842	5,057	175%	4,203	-17%	2,999	-29%	3,161	5%	3,332	5%
<b>Total Income</b>	<b>9,232</b>	<b>10,713</b>	<b>13,584</b>	<b>27%</b>	<b>12,220</b>	<b>-10%</b>	<b>11,617</b>	<b>-5%</b>	<b>12,532</b>	<b>8%</b>	<b>13,520</b>	<b>8%</b>
Costs	-5,143	-5,806	-5,806	0%	-5,716	-2%	-5,953	4%	-6,271	5%	-6,608	5%
Impairment Losses	-439	-267	-436	63%	-337	-23%	-413	23%	-507	23%	-624	23%
<b>Trading Profit</b>	<b>3,650</b>	<b>4,640</b>	<b>7,342</b>	<b>58%</b>	<b>6,167</b>	<b>-16%</b>	<b>5,250</b>	<b>-15%</b>	<b>5,753</b>	<b>10%</b>	<b>6,288</b>	<b>9%</b>
Other	2,252	2,831	3,106	10%	1,950	-37%	2,105	8%	2,297	9%	2,508	9%
<b>PBT</b>	<b>5,902</b>	<b>7,471</b>	<b>10,448</b>	<b>40%</b>	<b>8,117</b>	<b>-22%</b>	<b>7,355</b>	<b>-9%</b>	<b>8,051</b>	<b>9%</b>	<b>8,796</b>	<b>9%</b>
Loans	108,731	123,868	138,119	12%	146,753	6%	160,615	9%	176,856	10%	194,749	10%
<b>Europe</b>												
Net Interest Income	11,250	11,001	10,394	-6%	10,425	0%	10,955	5%	11,440	4%	11,946	4%
Net Fee Income	6,371	6,236	6,169	-1%	6,004	-3%	6,283	5%	6,617	5%	6,970	5%
Trading Income	2,863	2,161	2,707	25%	5,949	120%	5,649	-5%	5,890	4%	6,144	4%
Other Income	2,266	4,848	-1,662	-134%	-691	-58%	252	-136%	251	-1%	249	-1%
<b>Total Income</b>	<b>22,750</b>	<b>24,246</b>	<b>17,608</b>	<b>-27%</b>	<b>21,687</b>	<b>23%</b>	<b>23,138</b>	<b>7%</b>	<b>24,198</b>	<b>5%</b>	<b>25,309</b>	<b>5%</b>
Costs	-15,445	-17,069	-19,095	12%	-16,777	-12%	-16,427	-2%	-16,913	3%	-17,416	3%
Impairment Losses	-3,020	-2,512	-1,921	-24%	-1,786	-7%	-1,808	1%	-1,839	2%	-1,871	2%
<b>Trading Profit</b>	<b>4,285</b>	<b>4,665</b>	<b>-3,408</b>	<b>-173%</b>	<b>3,124</b>	<b>-192%</b>	<b>4,903</b>	<b>57%</b>	<b>5,446</b>	<b>11%</b>	<b>6,022</b>	<b>11%</b>
Other	17	6	-6	-200%	3	-151%	2	-28%	0	-84%	1	46%
<b>PBT</b>	<b>4,302</b>	<b>4,671</b>	<b>-3,414</b>	<b>-173%</b>	<b>3,127</b>	<b>-192%</b>	<b>4,905</b>	<b>57%</b>	<b>5,447</b>	<b>11%</b>	<b>6,023</b>	<b>11%</b>
Loans	435,799	434,336	463,440	7%	456,286	-2%	476,354	4%	497,316	4%	519,215	4%
<b>North America</b>												
Net Interest Income	12,439	11,480	8,117	-29%	6,082	-25%	6,196	2%	6,430	4%	6,674	4%
Net Fee Income	3,664	3,308	2,513	-24%	2,161	-14%	2,247	4%	2,356	5%	2,471	5%
Trading Income	314	-362	507	-240%	798	57%	837	5%	879	5%	923	5%
Other Income	630	1,574	3,556	468%	482	-87%	602	1%	634	5%	667	5%
<b>Total Income</b>	<b>17,047</b>	<b>16,000</b>	<b>14,693</b>	<b>-8%</b>	<b>9,522</b>	<b>-35%</b>	<b>9,882</b>	<b>4%</b>	<b>10,300</b>	<b>4%</b>	<b>10,736</b>	<b>4%</b>
Costs	-8,322	-8,919	-8,940	0%	-6,863	-23%	-6,892	0%	-7,064	2%	-7,240	2%
Impairment Losses	-8,295	-7,016	-3,457	-51%	-1,424	-59%	-1,161	-18%	-1,052	-9%	-962	-9%
<b>Trading Profit</b>	<b>430</b>	<b>65</b>	<b>2,296</b>	<b>NM</b>	<b>1,235</b>	<b>-46%</b>	<b>1,829</b>	<b>48%</b>	<b>2,184</b>	<b>19%</b>	<b>2,534</b>	<b>16%</b>
Other	24	35	3	-91%	10	233%	10	0%	10	0%	10	0%
<b>PBT</b>	<b>454</b>	<b>100</b>	<b>2,299</b>	<b>NM</b>	<b>1,245</b>	<b>-46%</b>	<b>1,839</b>	<b>48%</b>	<b>2,194</b>	<b>19%</b>	<b>2,544</b>	<b>16%</b>
Loans	190,532	142,747	144,655	1%	133,739	-8%	134,176	0%	134,257	0%	134,674	0%
<b>Latin America</b>												
Net Interest Income	6,311	6,956	6,984	0%	6,475	-7%	6,887	6%	7,530	9%	8,234	9%
Net Fee Income	1,749	1,781	1,735	-3%	1,666	-4%	1,716	3%	1,877	9%	2,054	9%
Trading Income	733	1,378	971	-30%	721	-26%	762	6%	815	7%	872	7%
Other Income	938	1,338	1,261	-6%	1,847	46%	893	-52%	963	8%	1,040	8%
<b>Total Income</b>	<b>9,731</b>	<b>11,453</b>	<b>10,951</b>	<b>-4%</b>	<b>10,708</b>	<b>-2%</b>	<b>10,258</b>	<b>-4%</b>	<b>11,185</b>	<b>9%</b>	<b>12,199</b>	<b>9%</b>
Costs	-6,394	-7,255	-6,430	-11%	-6,045	-6%	-6,301	4%	-6,759	7%	-7,253	7%
Impairment Losses	-1,544	-1,883	-2,137	13%	-2,689	26%	-2,100	-22%	-1,975	-6%	-1,862	-6%
<b>Trading Profit</b>	<b>1,793</b>	<b>2,315</b>	<b>2,384</b>	<b>3%</b>	<b>1,974</b>	<b>-17%</b>	<b>1,858</b>	<b>-6%</b>	<b>2,451</b>	<b>32%</b>	<b>3,085</b>	<b>26%</b>
Other	2	0	0	NM	-1	NM	-1	NM	-1	NM	-1	NM
<b>PBT</b>	<b>1,795</b>	<b>2,315</b>	<b>2,384</b>	<b>3%</b>	<b>1,973</b>	<b>-17%</b>	<b>1,857</b>	<b>-6%</b>	<b>2,450</b>	<b>32%</b>	<b>3,084</b>	<b>26%</b>
Loans	57,987	55,938	53,609	-4%	46,834	-13%	50,916	9%	55,840	10%	61,265	10%

Source: Company Reports and Citi Research Estimates

Figure 116. HSBC — Regional Profit and Loss Account, 1H10-2H14E (US Dollars in Millions)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>Hong Kong</b>										
Net Interest Income	1,994	2,252	2,249	2,442	2,599	2,717	2,866	2,950	3,114	3,207
Net Fee Income	1,395	1,567	1,612	1,485	1,618	1,717	2,006	1,960	2,181	2,131
Trading Income	688	624	669	520	762	701	872	790	939	849
Other Income	819	863	884	821	1,154	1,154	899	1,020	905	979
<b>Total Income</b>	<b>4,896</b>	<b>5,306</b>	<b>5,414</b>	<b>5,268</b>	<b>6,133</b>	<b>6,289</b>	<b>6,643</b>	<b>6,719</b>	<b>7,139</b>	<b>7,165</b>
Costs	-1,968	-2,463	-2,339	-2,419	-2,396	-2,452	-2,418	-2,487	-2,506	-2,577
Impairment Losses	-63	-51	-25	-131	-32	-42	-46	-135	-162	-180
<b>Trading Profit</b>	<b>2,865</b>	<b>2,792</b>	<b>3,050</b>	<b>2,718</b>	<b>3,705</b>	<b>3,795</b>	<b>4,179</b>	<b>4,098</b>	<b>4,472</b>	<b>4,408</b>
Other	12	23	31	24	56	26	26	40	26	40
<b>PBT</b>	<b>2,877</b>	<b>2,815</b>	<b>3,081</b>	<b>2,742</b>	<b>3,761</b>	<b>3,821</b>	<b>4,205</b>	<b>4,138</b>	<b>4,498</b>	<b>4,448</b>
Loans	114,075	140,691	159,370	157,665	165,204	173,613	189,625	196,360	204,077	211,929
<b>Rest of APR</b>										
Net Interest Income	1,822	2,006	2,381	2,721	2,718	2,673	2,653	2,605	2,834	2,785
Net Fee Income	934	998	1,117	994	1,078	1,005	1,084	1,006	1,160	1,077
Trading Income	780	838	862	796	932	121	46	622	97	664
Other Income	962	892	988	854	1,219	3,838	3,220	983	1,512	1,487
<b>Total Income</b>	<b>4,498</b>	<b>4,734</b>	<b>5,348</b>	<b>5,365</b>	<b>5,947</b>	<b>7,637</b>	<b>7,003</b>	<b>5,217</b>	<b>5,603</b>	<b>6,013</b>
Costs	-2,417	-2,726	-2,836	-2,970	-2,865	-2,941	-2,749	-2,967	-2,862	-3,091
Impairment Losses	-147	-292	-100	-167	-298	-138	-152	-185	-186	-228
<b>Trading Profit</b>	<b>1,934</b>	<b>1,716</b>	<b>2,412</b>	<b>2,228</b>	<b>2,784</b>	<b>4,558</b>	<b>4,102</b>	<b>2,065</b>	<b>2,556</b>	<b>2,695</b>
Other	1,051	1,201	1,330	1,501	1,588	1,518	955	995	1,030	1,075
<b>PBT</b>	<b>2,985</b>	<b>2,917</b>	<b>3,742</b>	<b>3,729</b>	<b>4,372</b>	<b>6,076</b>	<b>5,057</b>	<b>3,060</b>	<b>3,586</b>	<b>3,769</b>
Loans	91,672	108,731	121,429	123,868	129,489	138,119	139,333	146,753	153,704	160,615
<b>Europe</b>										
Net Interest Income	5,802	5,448	5,566	5,435	5,073	5,321	5,250	5,175	5,513	5,442
Net Fee Income	3,177	3,194	3,131	3,105	3,023	3,146	2,969	3,035	3,107	3,176
Trading Income	1,604	1,259	2,007	154	1,851	856	4,339	1,610	4,119	1,530
Other Income	1,564	900	707	961	1,325	1,123	-1,087	875	-610	862
<b>Total Income</b>	<b>12,721</b>	<b>10,029</b>	<b>11,340</b>	<b>12,906</b>	<b>9,667</b>	<b>7,941</b>	<b>11,474</b>	<b>10,213</b>	<b>12,128</b>	<b>11,010</b>
Costs	-7,704	-7,741	-8,014	-9,055	-9,289	-9,806	-7,862	-8,915	-7,717	-8,710
Impairment Losses	-1,501	-1,519	-1,173	-1,339	-1,037	-884	-846	-940	-855	-953
<b>Trading Profit</b>	<b>3,516</b>	<b>769</b>	<b>2,153</b>	<b>2,512</b>	<b>-659</b>	<b>-2,749</b>	<b>2,766</b>	<b>358</b>	<b>3,556</b>	<b>1,347</b>
Other	5	12	-6	12	-8	1	2	1	1	1
<b>PBT</b>	<b>3,521</b>	<b>781</b>	<b>2,147</b>	<b>2,524</b>	<b>-667</b>	<b>-2,748</b>	<b>2,768</b>	<b>359</b>	<b>3,557</b>	<b>1,348</b>
Loans	407,226	435,799	486,331	434,336	445,445	463,440	433,436	456,286	466,234	476,354
<b>North America</b>										
Net Interest Income	6,353	6,086	5,849	5,631	4,739	3,378	3,030	3,052	3,086	3,109
Net Fee Income	1,801	1,863	1,718	1,590	1,443	1,070	1,138	1,023	1,182	1,065
Trading Income	-67	381	448	-810	161	346	505	293	530	308
Other Income	413	82	297	524	4,200	461	-19	616	-8	610
<b>Total Income</b>	<b>9,000</b>	<b>8,047</b>	<b>8,240</b>	<b>7,760</b>	<b>9,978</b>	<b>4,715</b>	<b>4,632</b>	<b>4,894</b>	<b>4,790</b>	<b>5,092</b>
Costs	-3,957	-4,365	-4,602	-4,317	-4,462	-4,478	-3,276	-3,587	-3,297	-3,596
Impairment Losses	-4,554	-3,741	-3,049	-3,967	-2,161	-1,296	-696	-728	-571	-591
<b>Trading Profit</b>	<b>489</b>	<b>-59</b>	<b>589</b>	<b>-524</b>	<b>3,355</b>	<b>-1,059</b>	<b>660</b>	<b>579</b>	<b>922</b>	<b>906</b>
Other	3	21	17	18	-1	4	6	4	6	4
<b>PBT</b>	<b>492</b>	<b>-38</b>	<b>606</b>	<b>-506</b>	<b>3,354</b>	<b>-1,055</b>	<b>666</b>	<b>583</b>	<b>928</b>	<b>910</b>
Loans	208,141	190,532	179,262	142,747	153,991	144,655	134,494	133,739	133,957	134,176
<b>Latin America</b>										
Net Interest Income	3,119	3,192	3,517	3,439	3,542	3,442	3,274	3,201	3,473	3,414
Net Fee Income	855	894	902	879	843	892	896	770	917	799
Trading Income	353	380	589	789	597	374	397	324	421	342
Other Income	388	550	675	663	583	678	391	1,456	439	454
<b>Total Income</b>	<b>4,715</b>	<b>5,016</b>	<b>5,683</b>	<b>5,770</b>	<b>5,565</b>	<b>5,386</b>	<b>4,958</b>	<b>5,750</b>	<b>5,251</b>	<b>5,008</b>
Costs	-3,013	-3,381	-3,712	-3,543	-3,285	-3,145	-3,069	-2,976	-3,198	-3,103
Impairment Losses	-820	-724	-820	-1,063	-1,136	-1,001	-1,423	-1,266	-1,116	-984
<b>Trading Profit</b>	<b>882</b>	<b>911</b>	<b>1,151</b>	<b>1,164</b>	<b>1,144</b>	<b>1,240</b>	<b>466</b>	<b>1,508</b>	<b>936</b>	<b>921</b>
Other	1	1	0	0	1	-1	0	-1	0	-1
<b>PBT</b>	<b>883</b>	<b>912</b>	<b>1,151</b>	<b>1,164</b>	<b>1,145</b>	<b>1,239</b>	<b>466</b>	<b>1,507</b>	<b>936</b>	<b>920</b>
Loans	48,829	57,987	65,802	55,938	52,960	53,609	44,560	46,834	48,875	50,916

Source: Company Reports and Citi Research Estimates

Figure 117. HSBC — Regional Profit and Loss Account, 2010-16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Middle East</b>												
Net Interest Income	1,367	1,432	1,470	3%	1,509	3%	1,598	6%	1,714	7%	1,838	7%
Net Fee Income	677	627	595	-5%	621	4%	661	6%	714	8%	772	8%
Trading Income	370	482	390	-19%	394	1%	418	6%	450	8%	485	8%
Other Income	-4	66	-25	-138%	-14	-44%	-13	-6%	-12	-6%	-12	-7%
<b>Total Income</b>	<b>2,410</b>	<b>2,607</b>	<b>2,430</b>	<b>-7%</b>	<b>2,510</b>	<b>3%</b>	<b>2,664</b>	<b>6%</b>	<b>2,866</b>	<b>8%</b>	<b>3,083</b>	<b>8%</b>
Costs	-1,078	-1,159	-1,166	1%	-1,242	7%	-1,288	4%	-1,370	6%	-1,457	6%
Impairment Losses	-627	-293	-286	-2%	-18	-94%	-136	658%	-164	20%	-199	22%
<b>Trading Profit</b>	<b>705</b>	<b>1,155</b>	<b>978</b>	<b>-15%</b>	<b>1,250</b>	<b>28%</b>	<b>1,239</b>	<b>-1%</b>	<b>1,332</b>	<b>8%</b>	<b>1,426</b>	<b>7%</b>
Other	187	337	372	10%	436	17%	458	5%	481	5%	505	5%
<b>PBT</b>	<b>892</b>	<b>1,492</b>	<b>1,350</b>	<b>-10%</b>	<b>1,686</b>	<b>25%</b>	<b>1,697</b>	<b>1%</b>	<b>1,813</b>	<b>7%</b>	<b>1,931</b>	<b>7%</b>
Loans	24,626	25,875	28,086	9%	28,845	3%	31,275	8%	33,916	8%	36,787	8%

Source: Company Reports and Citi Research Estimates

Figure 118. HSBC — Regional Profit and Loss Account, 1H10-2H14E (US Dollars in Millions) (Cont'd)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>Middle East</b>										
Net Interest Income	667	700	673	759	705	765	746	763	790	808
Net Fee Income	356	321	327	300	302	293	311	310	331	330
Trading Income	194	176	237	245	216	174	203	191	215	203
Other Income	-29	25	-1	67	14	-39	-7	-7	-7	-7
<b>Total Income</b>	<b>1,188</b>	<b>1,222</b>	<b>1,236</b>	<b>1,371</b>	<b>1,237</b>	<b>1,193</b>	<b>1,253</b>	<b>1,257</b>	<b>1,329</b>	<b>1,334</b>
Costs	-519	-559	-574	-585	-537	-629	-616	-626	-639	-649
Impairment Losses	-438	-189	-99	-194	-135	-151	47	-65	-31	-105
<b>Trading Profit</b>	<b>231</b>	<b>474</b>	<b>563</b>	<b>592</b>	<b>565</b>	<b>413</b>	<b>684</b>	<b>566</b>	<b>659</b>	<b>580</b>
Other	115	72	184	153	207	165	225	211	237	221
<b>PBT</b>	<b>346</b>	<b>546</b>	<b>747</b>	<b>745</b>	<b>772</b>	<b>578</b>	<b>909</b>	<b>777</b>	<b>896</b>	<b>801</b>
Loans	23,394	24,626	25,695	25,875	27,896	28,086	27,934	28,845	30,060	31,275

Source: Company Reports and Citi Research Estimates

Figure 119. HSBC — Segmental Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>RBWM</b>												
Net Interest Income	24,166	24,101	20,298	-16%	18,752	-8%	19,475	4%	20,569	6%	21,733	6%
Net Fee Income	8,397	8,226	7,205	-12%	7,061	-2%	7,411	5%	7,890	6%	8,401	6%
Trading Income	-78	-519	304	-159%	496	63%	521	5%	554	6%	590	6%
Other Income	1,126	1,725	6,054	251%	1,170	-81%	1,406	20%	1,496	6%	1,593	6%
<b>Total Income</b>	<b>33,611</b>	<b>33,533</b>	<b>33,861</b>	<b>1%</b>	<b>27,480</b>	<b>-19%</b>	<b>28,813</b>	<b>5%</b>	<b>30,509</b>	<b>6%</b>	<b>32,317</b>	<b>6%</b>
Costs	-19,539	-21,202	-19,769	-7%	-17,565	-11%	-17,616	0%	-18,307	4%	-19,028	4%
Impairment Losses	-11,259	-9,319	-5,515	-41%	-3,533	-36%	-3,123	-12%	-3,074	-2%	-3,083	0%
<b>Trading Profit</b>	<b>2,813</b>	<b>3,012</b>	<b>8,577</b>	<b>185%</b>	<b>6,382</b>	<b>-26%</b>	<b>8,073</b>	<b>26%</b>	<b>9,129</b>	<b>13%</b>	<b>10,205</b>	<b>12%</b>
Other	1,026	1,258	998	-21%	354	-65%	358	1%	383	7%	413	8%
<b>PBT</b>	<b>3,839</b>	<b>4,270</b>	<b>9,575</b>	<b>124%</b>	<b>6,736</b>	<b>-30%</b>	<b>8,431</b>	<b>25%</b>	<b>9,512</b>	<b>13%</b>	<b>10,618</b>	<b>12%</b>
Loans	390,963	357,907	381,939	7%	370,912	-3%	382,176	3%	396,823	4%	412,813	4%
<b>Commercial Banking</b>												
Net Interest Income	8,487	9,931	10,361	4%	10,175	-2%	10,873	7%	11,748	8%	12,707	8%
Net Fee Income	3,964	4,291	4,470	4%	4,657	4%	4,937	6%	5,321	8%	5,741	8%
Trading Income	455	584	633	8%	677	7%	729	8%	794	9%	864	9%
Other Income	928	805	1,087	35%	405	-63%	434	7%	472	9%	515	9%
<b>Total Income</b>	<b>13,834</b>	<b>15,611</b>	<b>16,551</b>	<b>6%</b>	<b>15,914</b>	<b>-4%</b>	<b>16,972</b>	<b>7%</b>	<b>18,335</b>	<b>8%</b>	<b>19,827</b>	<b>8%</b>
Costs	-6,831	-7,221	-7,598	5%	-6,782	-11%	-7,058	4%	-7,491	6%	-7,957	6%
Impairment Losses	-1,805	-1,738	-2,099	21%	-2,370	13%	-2,181	-8%	-2,187	0%	-2,212	1%
<b>Trading Profit</b>	<b>5,198</b>	<b>6,652</b>	<b>6,854</b>	<b>3%</b>	<b>6,762</b>	<b>-1%</b>	<b>7,734</b>	<b>14%</b>	<b>8,656</b>	<b>12%</b>	<b>9,657</b>	<b>12%</b>
Other	892	1,295	1,681	30%	1,530	-9%	1,675	9%	1,834	9%	2,009	10%
<b>PBT</b>	<b>6,090</b>	<b>7,947</b>	<b>8,535</b>	<b>7%</b>	<b>8,292</b>	<b>-3%</b>	<b>9,409</b>	<b>13%</b>	<b>10,490</b>	<b>11%</b>	<b>11,666</b>	<b>11%</b>
Loans	239,286	262,039	288,033	10%	299,426	4%	322,060	8%	346,335	8%	372,739	8%
<b>Global Bkg &amp; Mkts</b>												
Net Interest Income	7,343	7,263	6,960	-4%	6,629	-5%	7,042	6%	7,556	7%	8,111	7%
Net Fee Income	3,664	3,227	3,329	3%	3,558	7%	3,790	7%	4,059	7%	4,348	7%
Trading Income	5,830	5,204	5,690	9%	8,216	44%	8,221	0%	8,721	6%	9,253	6%
Other Income	2,075	1,363	2,439	79%	821	-66%	873	6%	926	6%	983	6%
<b>Total Income</b>	<b>18,912</b>	<b>17,057</b>	<b>18,418</b>	<b>8%</b>	<b>19,224</b>	<b>4%</b>	<b>19,926</b>	<b>4%</b>	<b>21,263</b>	<b>7%</b>	<b>22,696</b>	<b>7%</b>
Costs	-9,228	-9,722	-10,052	3%	-9,785	-3%	-9,980	2%	-10,447	5%	-10,937	5%
Impairment Losses	-990	-984	-670	-32%	-499	-26%	-622	25%	-667	7%	-716	7%
<b>Trading Profit</b>	<b>8,694</b>	<b>6,351</b>	<b>7,696</b>	<b>21%</b>	<b>8,940</b>	<b>16%</b>	<b>9,324</b>	<b>4%</b>	<b>10,150</b>	<b>9%</b>	<b>11,042</b>	<b>9%</b>
Other	521	698	824	18%	542	-34%	569	5%	598	5%	627	5%
<b>PBT</b>	<b>9,215</b>	<b>7,049</b>	<b>8,520</b>	<b>21%</b>	<b>9,482</b>	<b>11%</b>	<b>9,893</b>	<b>4%</b>	<b>10,748</b>	<b>9%</b>	<b>11,669</b>	<b>9%</b>
Loans	284,497	276,463	283,842	3%	288,181	2%	307,637	7%	328,558	7%	351,067	7%
<b>Private Banking</b>												
Net Interest Income	1,345	1,439	1,294	-10%	1,167	-10%	1,243	7%	1,326	7%	1,415	7%
Net Fee Income	1,299	1,382	1,232	-11%	1,160	-6%	1,245	7%	1,349	8%	1,462	8%
Trading Income	412	431	490	14%	456	-7%	485	6%	520	7%	559	7%
Other Income	37	40	156	290%	-215	-238%	83	-139%	89	7%	95	7%
<b>Total Income</b>	<b>3,093</b>	<b>3,292</b>	<b>3,172</b>	<b>-4%</b>	<b>2,568</b>	<b>-19%</b>	<b>3,057</b>	<b>19%</b>	<b>3,284</b>	<b>7%</b>	<b>3,531</b>	<b>8%</b>
Costs	-2,035	-2,266	-2,143	-5%	-2,249	5%	-2,211	-2%	-2,343	6%	-2,483	6%
Impairment Losses	12	-86	-27	-69%	-33	22%	-35	5%	-36	5%	-38	5%
<b>Trading Profit</b>	<b>1,070</b>	<b>940</b>	<b>1,002</b>	<b>7%</b>	<b>286</b>	<b>-71%</b>	<b>811</b>	<b>184%</b>	<b>905</b>	<b>12%</b>	<b>1,009</b>	<b>12%</b>
Other	-16	4	7	75%	10	43%	11	11%	12	11%	14	11%
<b>PBT</b>	<b>1,054</b>	<b>944</b>	<b>1,009</b>	<b>7%</b>	<b>296</b>	<b>-71%</b>	<b>823</b>	<b>178%</b>	<b>917</b>	<b>12%</b>	<b>1,023</b>	<b>12%</b>
Loans	40,665	41,856	45,213	8%	47,803	6%	50,896	6%	54,231	7%	57,831	7%

Source: Company Reports and Citi Research Estimates

Figure 120. HSBC — Segmental Profit and Loss Account, 1H10-2H14E (US Dollars in Millions)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>RBWM</b>										
Net Interest Income	12,194	11,972	12,086	12,015	10,774	9,524	9,310	9,442	9,669	9,806
Net Fee Income	4,060	4,337	4,212	4,014	3,760	3,445	3,586	3,475	3,763	3,648
Trading Income	-376	298	188	-707	34	270	275	221	288	233
Other Income	675	451	1,086	639	4,747	1,307	118	1,052	332	1,074
<b>Total Income</b>	<b>16,553</b>	<b>17,058</b>	<b>17,572</b>	<b>15,961</b>	<b>19,315</b>	<b>14,546</b>	<b>13,289</b>	<b>14,191</b>	<b>14,052</b>	<b>14,760</b>
Costs	-9,349	-10,190	-10,746	-10,456	-10,218	-9,551	-8,451	-9,114	-8,484	-9,132
Impairment Losses	-6,318	-4,941	-4,270	-5,049	-3,273	-2,242	-1,768	-1,765	-1,558	-1,565
<b>Trading Profit</b>	<b>886</b>	<b>1,927</b>	<b>2,556</b>	<b>456</b>	<b>5,824</b>	<b>2,753</b>	<b>3,070</b>	<b>3,312</b>	<b>4,010</b>	<b>4,063</b>
Other	466	560	570	688	586	412	197	157	199	159
<b>PBT</b>	<b>1,352</b>	<b>2,487</b>	<b>3,126</b>	<b>1,144</b>	<b>6,410</b>	<b>3,165</b>	<b>3,267</b>	<b>3,469</b>	<b>4,209</b>	<b>4,222</b>
Loans	377,478	390,963	400,944	357,907	363,353	381,939	362,836	370,912	376,544	382,176
<b>Commercial Banking</b>										
Net Interest Income	4,024	4,463	4,814	5,117	5,144	5,217	5,050	5,125	5,395	5,478
Net Fee Income	1,935	2,029	2,131	2,160	2,224	2,246	2,337	2,320	2,471	2,466
Trading Income	233	222	296	288	321	312	346	331	373	356
Other Income	548	380	439	366	564	523	130	275	139	295
<b>Total Income</b>	<b>6,740</b>	<b>7,094</b>	<b>7,680</b>	<b>7,931</b>	<b>8,253</b>	<b>8,298</b>	<b>7,863</b>	<b>8,051</b>	<b>8,377</b>	<b>8,595</b>
Costs	-3,266	-3,565	-3,465	-3,756	-3,736	-3,862	-3,337	-3,445	-3,473	-3,585
Impairment Losses	-705	-1,100	-642	-1,096	-924	-1,175	-1,160	-1,210	-1,096	-1,085
<b>Trading Profit</b>	<b>2,769</b>	<b>2,429</b>	<b>3,573</b>	<b>3,079</b>	<b>3,593</b>	<b>3,261</b>	<b>3,366</b>	<b>3,396</b>	<b>3,809</b>	<b>3,925</b>
Other	435	457	616	679	836	845	767	763	839	836
<b>PBT</b>	<b>3,204</b>	<b>2,886</b>	<b>4,189</b>	<b>3,758</b>	<b>4,429</b>	<b>4,106</b>	<b>4,133</b>	<b>4,159</b>	<b>4,648</b>	<b>4,761</b>
Loans	207,763	239,286	268,037	262,039	272,817	288,033	288,842	299,426	310,743	322,060
<b>Global Bkg &amp; Mkts</b>										
Net Interest Income	3,724	3,619	3,603	3,660	3,625	3,335	3,334	3,295	3,542	3,500
Net Fee Income	1,879	1,785	1,730	1,497	1,598	1,731	1,818	1,740	1,937	1,854
Trading Income	3,754	2,076	3,827	1,377	3,735	1,955	5,606	2,610	5,563	2,658
Other Income	963	1,112	529	834	1,424	1,015	-98	919	-68	941
<b>Total Income</b>	<b>10,320</b>	<b>8,592</b>	<b>9,689</b>	<b>7,368</b>	<b>10,382</b>	<b>8,036</b>	<b>10,660</b>	<b>8,564</b>	<b>10,973</b>	<b>8,953</b>
Costs	-4,607	-4,621	-4,860	-4,862	-5,120	-4,932	-5,005	-4,780	-5,102	-4,878
Impairment Losses	-499	-491	-334	-650	-598	-72	-174	-325	-252	-370
<b>Trading Profit</b>	<b>5,214</b>	<b>3,480</b>	<b>4,495</b>	<b>1,856</b>	<b>4,664</b>	<b>3,032</b>	<b>5,481</b>	<b>3,459</b>	<b>5,619</b>	<b>3,705</b>
Other	238	283	316	382	383	441	242	300	254	315
<b>PBT</b>	<b>5,452</b>	<b>3,763</b>	<b>4,811</b>	<b>2,238</b>	<b>5,047</b>	<b>3,473</b>	<b>5,723</b>	<b>3,759</b>	<b>5,873</b>	<b>4,020</b>
Loans	268,495	284,497	321,061	276,463	290,749	283,842	276,181	288,181	297,909	307,637
<b>Private Banking</b>										
Net Interest Income	646	699	729	710	672	622	575	592	612	631
Net Fee Income	643	656	731	651	625	607	602	558	646	600
Trading Income	219	193	207	224	259	231	230	226	244	241
Other Income	35	2	22	18	85	71	-256	42	36	48
<b>Total Income</b>	<b>1,543</b>	<b>1,550</b>	<b>1,689</b>	<b>1,603</b>	<b>1,641</b>	<b>1,531</b>	<b>1,151</b>	<b>1,417</b>	<b>1,538</b>	<b>1,519</b>
Costs	-967	-1,068	-1,117	-1,149	-1,113	-1,030	-1,035	-1,214	-1,019	-1,192
Impairment Losses	0	12	-22	-64	-4	-23	-14	-19	-15	-20
<b>Trading Profit</b>	<b>576</b>	<b>494</b>	<b>550</b>	<b>390</b>	<b>524</b>	<b>478</b>	<b>102</b>	<b>184</b>	<b>504</b>	<b>307</b>
Other	-20	4	2	2	3	4	6	4	7	5
<b>PBT</b>	<b>556</b>	<b>498</b>	<b>552</b>	<b>392</b>	<b>527</b>	<b>482</b>	<b>108</b>	<b>188</b>	<b>511</b>	<b>312</b>
Loans	36,589	40,665	44,612	41,856	44,018	45,213	39,161	47,803	49,350	50,896

Source: Company Reports and Citi Research Estimates

## Lloyds

Figure 121. Lloyds Banking Group – Group Profit and Loss Account, 2010-16E (£m)

	2010	2011	2012	%Chg	2013E	%Chg	2014E	%Chg	2015E	%Chg	2016E	%Chg
<b>Income Statement</b>												
Net Interest Income	14,143	12,210	10,335	-15%	10,763	4%	11,026	2%	10,854	-2%	11,076	2%
Total Non-Interest Income	9,936	9,179	8,416	-8%	8,156	-3%	7,592	-7%	7,731	2%	7,975	3%
<b>Total Income</b>	<b>23,988</b>	<b>21,389</b>	<b>18,751</b>	<b>-12%</b>	<b>18,919</b>	<b>1%</b>	<b>18,618</b>	<b>-2%</b>	<b>18,584</b>	<b>0%</b>	<b>19,051</b>	<b>3%</b>
Insurance claims	-542	-343	-365	6%	-313	-14%	-320	2%	-340	6%	-360	6%
<b>Total Income, net of claims</b>	<b>23,446</b>	<b>21,046</b>	<b>18,386</b>	<b>-13%</b>	<b>18,606</b>	<b>1%</b>	<b>18,298</b>	<b>-2%</b>	<b>18,244</b>	<b>0%</b>	<b>18,691</b>	<b>2%</b>
Staff and non-staff costs	-8,444	-8,192	-7,819	-5%	-7,399	-5%	-6,832	-8%	-6,742	-1%	-6,717	0%
Bank Levy		-189	-179	-5%	-251	40%	-251	0%	-251	0%	-251	0%
Depreciation	-2,634	-2,240	-2,126	-5%	-1,919	-10%	-1,829	-5%	-1,847	1%	-1,865	1%
<b>Total Operating Costs</b>	<b>-11,078</b>	<b>-10,621</b>	<b>-10,124</b>	<b>-5%</b>	<b>-9,568</b>	<b>-5%</b>	<b>-8,912</b>	<b>-7%</b>	<b>-8,840</b>	<b>-1%</b>	<b>-8,834</b>	<b>0%</b>
<b>Gross Operating Profit</b>	<b>12,368</b>	<b>10,425</b>	<b>8,262</b>	<b>-21%</b>	<b>9,038</b>	<b>9%</b>	<b>9,386</b>	<b>4%</b>	<b>9,405</b>	<b>0%</b>	<b>9,857</b>	<b>5%</b>
Total Impairments	-13,181	-9,787	-5,697	-42%	-3,274	-43%	-2,695	-18%	-2,613	-3%	-2,670	2%
Share of Assocs, JVs & w/downs	-91	0	0	N.M.	0	N.M.	0	N.M.	0	N.M.	0	N.M.
<b>Underlying PBT</b>	<b>-813</b>	<b>638</b>	<b>2,565</b>	<b>302%</b>	<b>5,764</b>	<b>125%</b>	<b>6,691</b>	<b>16%</b>	<b>6,792</b>	<b>2%</b>	<b>7,187</b>	<b>6%</b>
FV acquisition adjustment unwind	3,118	1,206	650	-46%	-114	-118%	-300	163%	0	-100%	0	N.M.
Effects of LME, volatile items & asset sales	-93	841	1,570	87%	-358	-123%	-152	-58%	0	-100%	0	N.M.
Other statutory adjustments	-1,931	-6,227	-5,355		-2,669		-1,585		-568		-545	
<b>Statutory PBT</b>	<b>281</b>	<b>-3,542</b>	<b>-570</b>	<b>0%</b>	<b>2,623</b>	<b>0%</b>	<b>4,654</b>	<b>77%</b>	<b>6,225</b>	<b>34%</b>	<b>6,642</b>	<b>7%</b>
Tax, statutory basis	-539	828	-773	-193%	-1,642	112%	-1,090	-34%	-1,266	16%	-1,351	7%
Minorities	-62	-73	-84	15%	-29	-65%	-12	-59%	-12	0%	-12	0%
<b>Statutory Attrib. Profit</b>	<b>-320</b>	<b>-2,787</b>	<b>-1,427</b>	<b>-49%</b>	<b>952</b>	<b>-167%</b>	<b>3,552</b>	<b>273%</b>	<b>4,947</b>	<b>39%</b>	<b>5,280</b>	<b>7%</b>
Dividends Paid Out	0	0	0	N.M.	0	N.M.	-714	N.M.	-1,963	175%	-2,541	29%
<b>Retained Profit</b>	<b>-320</b>	<b>-2,787</b>	<b>-1,427</b>	<b>-49%</b>	<b>952</b>	<b>-167%</b>	<b>2,838</b>	<b>198%</b>	<b>2,984</b>	<b>5%</b>	<b>2,739</b>	<b>-8%</b>
Statutory net adjustments	-1,042	3,185	3,267	3%	3,388	4%	2,391	-29%	2,415	1%	2,975	23%
<b>Underlying Attributable Profit</b>	<b>-1,362</b>	<b>398</b>	<b>1,840</b>	<b>363%</b>	<b>4,340</b>	<b>136%</b>	<b>5,229</b>	<b>20%</b>	<b>5,399</b>	<b>3%</b>	<b>5,714</b>	<b>6%</b>
<b>Per share data</b>												
Reported statutory Basic EPS	(0.5)p	(4.1)p	(2.0)p	-50%	1.3p	-165%	5.0p	273%	6.9p	39%	7.4p	7%
<b>Underlying Basic EPS</b>	<b>(2.0)p</b>	<b>0.6p</b>	<b>2.6p</b>	<b>354%</b>	<b>6.1p</b>	<b>131%</b>	<b>7.3p</b>	<b>20%</b>	<b>7.6p</b>	<b>3%</b>	<b>8.0p</b>	<b>6%</b>
Net Dividend Per Share	0.0p	0.0p	0.0p	N.M.	0.5p	N.M.	2.2p	340%	3.5p	59%	3.7p	6%
BVPS	67.7p	67.1p	63.0p	-6%	58.7p	-7%	63.2p	8%	69.1p	9%	73.8p	7%
<b>Tangible BVPS</b>	<b>59.6p</b>	<b>59.5p</b>	<b>56.1p</b>	<b>-6%</b>	<b>52.6p</b>	<b>-6%</b>	<b>57.1p</b>	<b>9%</b>	<b>63.1p</b>	<b>10%</b>	<b>67.9p</b>	<b>7%</b>
Number of shares (end period)	68,074	68,470	69,841	2%	71,368	2%	71,368	0%	71,368	0%	71,368	0%
<b>Operating ratios</b>												
<b>Net Interest Margin</b>	<b>2.21%</b>	<b>2.07%</b>	<b>1.94%</b>		<b>2.11%</b>		<b>2.27%</b>		<b>2.30%</b>		<b>2.35%</b>	
Cost/income	46.2%	49.7%	54.0%		50.6%		47.9%		47.6%		46.4%	
Provision charge / gross customer loans	2.05%	1.60%	1.00%		0.62%		0.54%		0.54%		0.55%	
NPL ratio	10.90%	10.66%	8.95%		7.64%		7.04%		6.40%		5.98%	
Coverage ratio (Provision / NPL)	46%	46%	47%		49%		48%		45%		42%	
Underlying RoE	-3.0%	0.9%	4.0%		10.1%		12.0%		11.4%		11.2%	
<b>Underlying RoTE</b>	<b>-3.5%</b>	<b>1.0%</b>	<b>4.6%</b>		<b>11.3%</b>		<b>13.4%</b>		<b>12.6%</b>		<b>12.2%</b>	
Statutory RoE	-0.7%	-6.1%	-3.1%		2.2%		8.2%		10.5%		10.4%	
<b>Balance Sheet Summary</b>												
<b>Total Assets Ex Policyholders</b>	<b>961,813</b>	<b>970,546</b>	<b>924,552</b>	<b>-5%</b>	<b>856,150</b>	<b>-7%</b>	<b>814,182</b>	<b>-5%</b>	<b>806,154</b>	<b>-1%</b>	<b>808,253</b>	<b>0%</b>
Net Loans & Advances To Customers	592,597	565,638	517,225	-9%	493,562	-5%	469,040	-5%	472,847	1%	479,361	1%
Customer Deposits	393,649	413,906	426,912	3%	435,022	2%	393,075	-10%	405,748	3%	419,053	3%
Loan to deposit ratio	151%	137%	121%		113%		119%		117%		114%	
Common equity	46,061	45,920	43,999	-4%	41,921	-5%	45,115	8%	49,349	9%	52,666	7%
Reported TNAV	40,549	40,708	39,191	-4%	37,539	-4%	40,781	9%	45,061	10%	48,423	7%
<b>Capital Position</b>												
Basel 2 Core capital	41,371	37,991	37,193	-2%	38,617	4%	41,774	8%	45,473	9%	48,690	7%
Basel 3 Core capital	27,611	27,238	25,858	-5%	28,079	9%	30,848	10%	34,233	11%	37,157	9%
Basel 2 Tier 1 Capital	47,147	43,997	42,754	-3%	39,723	-7%	42,881	8%	46,579	9%	49,796	7%
Basel 2 Risk Weighted Assets	406,372	352,341	310,299	-12%	267,033	-14%	248,440	-7%	246,787	-1%	248,296	1%
Basel 3 Risk Weighted Assets	446,372	379,841	321,097	-15%	277,830	-13%	259,238	-7%	257,584	-1%	259,093	1%
<b>Basel 2 Core Tier 1 ratio</b>	<b>10.2%</b>	<b>10.8%</b>	<b>12.0%</b>		<b>14.5%</b>		<b>16.8%</b>		<b>18.4%</b>		<b>19.6%</b>	
<b>Basel 3 Core Tier 1 ratio</b>	<b>6.2%</b>	<b>7.2%</b>	<b>8.1%</b>		<b>10.1%</b>		<b>11.9%</b>		<b>13.3%</b>		<b>14.3%</b>	
Basel 2 Tier 1 Ratio	11.6%	12.5%	13.8%		14.9%		17.3%		18.9%		20.1%	

Source: Company Reports and Citi Research Estimates



Figure 122. Lloyds Banking Group – Group Profit and Loss Account, 1H10-2H14E (£m)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>Income Statement</b>										
Net Interest Income	6,980	7,163	6,355	5,855	5,215	5,120	5,206	5,557	5,602	5,423
Total Non-Interest Income	4,756	5,180	4,946	4,233	4,264	4,152	4,406	3,750	3,872	3,721
<b>Total Income</b>	<b>11,674</b>	<b>12,314</b>	<b>11,301</b>	<b>10,088</b>	<b>9,479</b>	<b>9,272</b>	<b>9,612</b>	<b>9,307</b>	<b>9,474</b>	<b>9,144</b>
Insurance claims	-261	-281	-198	-145	-233	-132	-148	-165	-160	-160
<b>Total Income, net of claims</b>	<b>11,413</b>	<b>12,033</b>	<b>11,103</b>	<b>9,943</b>	<b>9,246</b>	<b>9,140</b>	<b>9,464</b>	<b>9,142</b>	<b>9,314</b>	<b>8,984</b>
Staff and non-staff costs	-4,232	-5,204	-4,228	-3,964	-3,993	-3,868	-5,599	-3,619	-3,654	-3,178
Bank Levy	0	0	0	-189	0	-179	0	-251	0	-251
Depreciation	-1,220	-1,414	-1,104	-1,136	-1,052	-1,074	-969	-950	-926	-903
<b>Total Operating Costs</b>	<b>-5,452</b>	<b>-6,618</b>	<b>-5,332</b>	<b>-5,289</b>	<b>-5,045</b>	<b>-5,079</b>	<b>-4,749</b>	<b>-4,819</b>	<b>-4,580</b>	<b>-4,332</b>
<b>Gross Operating Profit</b>	<b>5,961</b>	<b>5,415</b>	<b>5,771</b>	<b>4,654</b>	<b>4,201</b>	<b>4,061</b>	<b>4,715</b>	<b>4,323</b>	<b>4,734</b>	<b>4,652</b>
Total Impairments	-6,554	-6,627	-5,422	-4,365	-3,157	-2,540	-1,813	-1,461	-1,377	-1,318
Share of Assocs, JVs & w/downs	-62	-29	0	0	0	0	0	0	0	0
<b>Underlying PBT</b>	<b>-593</b>	<b>-1,212</b>	<b>349</b>	<b>289</b>	<b>1,044</b>	<b>1,521</b>	<b>2,902</b>	<b>2,862</b>	<b>3,357</b>	<b>3,334</b>
FV acquisition adjustment unwind	1,323	1,795	1,733	-527	282	368	36	-150	-150	-150
Effects of LME, volatile items & asset sales	1,006	-1,099	-619	1,460	-766	2,336	376	-734	-76	-76
Other statutory adjustments	-307	-1,624	-4,355	-1,872	-1,604	-3,751	-1,180	-1,489	-1,297	-289
<b>Statutory PBT</b>	<b>1,429</b>	<b>-2,140</b>	<b>-2,892</b>	<b>-650</b>	<b>-1,044</b>	<b>474</b>	<b>2,134</b>	<b>489</b>	<b>1,834</b>	<b>2,819</b>
Tax, statutory basis	-630	91	973	-145	-202	-571	-556	-1,086	-447	-643
Minorities	-70	8	-27	-46	-35	-49	-18	-11	-6	-6
<b>Statutory Attrib. Profit</b>	<b>729</b>	<b>-2,041</b>	<b>-1,946</b>	<b>-841</b>	<b>-1,281</b>	<b>-146</b>	<b>1,560</b>	<b>-608</b>	<b>1,382</b>	<b>2,170</b>
Dividends Paid Out	0	0	0	0	0	0	0	0	-357	-357
<b>Retained Profit</b>	<b>729</b>	<b>-2,041</b>	<b>-1,946</b>	<b>-841</b>	<b>-1,281</b>	<b>-146</b>	<b>1,560</b>	<b>-608</b>	<b>1,025</b>	<b>1,813</b>
Statutory net adjustments	-1,226	1,176	2,176	1,008	2,029	1,238	616	2,773	1,277	788
<b>Underlying Attributable Profit</b>	<b>-497</b>	<b>-865</b>	<b>230</b>	<b>167</b>	<b>748</b>	<b>1,092</b>	<b>2,176</b>	<b>2,164</b>	<b>2,302</b>	<b>2,602</b>
<b>Per share data</b>										
Reported statutory Basic EPS	1.1p	(3.0)p	(2.9)p	(1.2)p	(1.8)p	(0.2)p	2.2p	(0.9)p	1.9p	3.0p
<b>Underlying Basic EPS</b>	<b>(0.8)p</b>	<b>(1.3)p</b>	<b>0.3p</b>	<b>0.2p</b>	<b>1.1p</b>	<b>1.6p</b>	<b>3.1p</b>	<b>3.0p</b>	<b>3.2p</b>	<b>3.6p</b>
Net Dividend Per Share	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p	0.5p	0.5p	1.7p
BVPS	68.6p	67.7p	66.0p	67.1p	66.2p	63.4p	61.0p	58.7p	60.2p	63.2p
<b>Tangible BVPS</b>	<b>60.2p</b>	<b>59.6p</b>	<b>58.2p</b>	<b>59.5p</b>	<b>59.0p</b>	<b>56.5p</b>	<b>54.8p</b>	<b>52.6p</b>	<b>54.0p</b>	<b>57.1p</b>
Number of shares (end period)	68,155	68,074	68,074	68,470	69,348	69,348	71,118	71,368	71,368	71,368
<b>Operating ratios</b>										
<b>Net Interest Margin</b>	<b>2.20%</b>	<b>2.22%</b>	<b>2.12%</b>	<b>2.01%</b>	<b>1.93%</b>	<b>1.94%</b>	<b>2.01%</b>	<b>2.20%</b>	<b>2.25%</b>	<b>2.27%</b>
Cost/income	46.7%	53.7%	47.2%	52.4%	53.2%	54.8%	49.4%	51.8%	48.3%	47.4%
Provision charge / gross customer loans	2.01%	2.08%	1.73%	1.47%	1.06%	0.94%	0.68%	0.56%	0.54%	0.53%
Underlying RoE	-2.2%	-3.7%	1.0%	0.7%	3.3%	4.9%	10.0%	10.2%	10.8%	11.8%
Underlying RoTE	-2.5%	-4.2%	1.1%	0.8%	3.7%	5.5%	11.1%	11.3%	12.1%	13.1%
Statutory RoE	3.2%	-8.8%	-8.6%	-3.7%	-5.6%	-0.6%	7.1%	-2.9%	6.5%	9.9%
<b>Balance Sheet Summary</b>										
<b>Total Assets Ex Policyholders</b>	<b>1,028,125</b>	<b>961,813</b>	<b>978,951</b>	<b>970,546</b>	<b>961,371</b>	<b>924,552</b>	<b>876,779</b>	<b>856,150</b>	<b>846,867</b>	<b>814,182</b>
Net Loans & Advances To Customers	612,133	592,597	587,843	565,638	534,445	517,225	505,784	493,562	493,153	469,040
Customer Deposits	420,414	393,649	399,919	413,906	423,238	426,912	433,559	435,022	414,312	393,075
Loan to deposit ratio	146%	151%	147%	137%	126%	121%	117%	113%	119%	119%
Common equity	46,773	46,061	44,909	45,920	45,937	43,999	43,364	41,921	42,946	45,115
Reported TNAV	41,029	40,549	39,636	40,708	40,896	39,191	38,959	37,539	38,564	40,734
<b>Capital Position</b>										
Basel 2 Core capital	36,052	35,526	38,651	37,991	37,487	37,193	39,560	38,617	39,762	41,774
Basel 2 Tier 1 Capital	41,869	41,371	44,561	43,997	43,196	42,754	40,959	39,723	40,868	42,881
Basel 2 Risk Weighted Assets	463,196	406,372	383,300	352,341	332,488	310,299	288,730	267,033	262,581	248,440
<b>Basel 2 Core Tier 1 ratio</b>	<b>7.8%</b>	<b>8.7%</b>	<b>10.1%</b>	<b>10.8%</b>	<b>11.3%</b>	<b>12.0%</b>	<b>12.2%</b>	<b>12.8%</b>	<b>13.4%</b>	<b>15.0%</b>
Basel 2 Tier 1 Ratio	9.0%	10.2%	11.6%	12.5%	13.0%	13.8%	14.2%	14.9%	15.6%	17.3%

Source: Company Reports and Citi Research Estimates



Figure 123. Lloyds Banking Group – Divisional Profit and Loss Accounts, 2010-16E (£m)

	2010	2011	2012	%Chg	2013E	%Chg	2014E	%Chg	2015E	%Chg	2016E	%Chg
<b>UK Retail Banking</b>												
Net Interest Income	8,648	7,497	7,195	-4%	7,364	2%	7,428	1%	7,455	0%	7,862	5%
Non-Interest Income	1,607	1,660	1,462	-12%	1,428	-2%	1,401	-2%	1,394	0%	1,470	5%
<b>Total Income</b>	<b>10,272</b>	<b>9,157</b>	<b>8,657</b>	<b>-5%</b>	<b>8,792</b>	<b>2%</b>	<b>8,829</b>	<b>0%</b>	<b>8,849</b>	<b>0%</b>	<b>9,332</b>	<b>5%</b>
Operating Expenses	-4,644	-4,438	-4,199	-5%	-4,092	-3%	-3,906	-5%	-3,781	-3%	-3,781	0%
<b>Gross Operating Profit</b>	<b>5,628</b>	<b>4,719</b>	<b>4,458</b>	<b>-6%</b>	<b>4,700</b>	<b>5%</b>	<b>4,923</b>	<b>5%</b>	<b>5,068</b>	<b>3%</b>	<b>5,551</b>	<b>10%</b>
Total impairments	-2,747	-1,970	-1,270	-36%	-1,199	-6%	-1,157	-3%	-1,290	11%	-1,501	16%
<b>Underlying Profit Before Tax</b>	<b>2,881</b>	<b>2,749</b>	<b>3,188</b>	<b>16%</b>	<b>3,501</b>	<b>10%</b>	<b>3,766</b>	<b>8%</b>	<b>3,778</b>	<b>0%</b>	<b>4,050</b>	<b>7%</b>
Risk Weighted Assets	109,254	103,237	95,470	-8%	87,963	-8%	80,663	-8%	83,082	3%	85,575	3%
Gross Loans	368,781	356,907	346,560	-3%	340,078	-2%	326,357	-4%	336,147	3%	346,232	3%
Deposits	235,591	247,088	260,838	6%	267,148	2%	249,827	-6%	262,318	5%	275,434	5%
<b>Net Interest Margin</b>	<b>2.46%</b>	<b>2.46%</b>	<b>2.08%</b>	<b>-15%</b>	<b>2.11%</b>	<b>1%</b>	<b>2.19%</b>	<b>4%</b>	<b>2.28%</b>	<b>5%</b>	<b>2.34%</b>	<b>2%</b>
<b>Cost-income ratio</b>	<b>45.2%</b>	<b>48.5%</b>	<b>48.5%</b>		<b>46.5%</b>		<b>44.2%</b>		<b>42.7%</b>		<b>40.5%</b>	
<b>Bad debts/Advances</b>	<b>0.74%</b>	<b>0.54%</b>	<b>0.36%</b>		<b>0.35%</b>		<b>0.35%</b>		<b>0.39%</b>		<b>0.44%</b>	
<b>Insurance &amp; Investment</b>												
Net Interest Income	-39	-67	-78	16%	-85	9%	-90	6%	-93	3%	-95	3%
Non-Interest Income (net insurance)	2,799	2,687	2,294	-15%	2,221	-3%	2,320	4%	2,390	3%	2,461	3%
<b>Total Income</b>	<b>2,750</b>	<b>2,620</b>	<b>2,216</b>	<b>-15%</b>	<b>2,136</b>	<b>-4%</b>	<b>2,230</b>	<b>4%</b>	<b>2,297</b>	<b>3%</b>	<b>2,366</b>	<b>3%</b>
Operating Expenses	-1,396	-1,155	-1,109	-4%	-1,027	-7%	-1,020	-1%	-1,040	2%	-1,060	2%
<b>Underlying Profit Before Tax</b>	<b>1,354</b>	<b>1,465</b>	<b>1,107</b>	<b>-24%</b>	<b>1,109</b>	<b>0%</b>	<b>1,210</b>	<b>9%</b>	<b>1,257</b>	<b>4%</b>	<b>1,306</b>	<b>4%</b>
Investment Variance less reserves	306	-838	0	-100%	0	N.A.	0	N.A.	0	N.A.	0	N.A.
<b>Profit Before Tax inc FV unwind &amp; volatility</b>	<b>1,632</b>	<b>584</b>	<b>1,065</b>	<b>82%</b>	<b>0</b>	<b>-100%</b>	<b>0</b>	<b>N.A.</b>	<b>0</b>	<b>N.A.</b>	<b>0</b>	<b>N.A.</b>
<b>Commercial Banking</b>												
Net Interest Income	5,101	4,443	3,385	-24%	2,429	-28%	2,446	1%	2,423	-1%	2,384	-2%
Non-Interest Income	4,888	3,232	3,351	4%	2,726	-19%	2,767	1%	2,850	3%	2,935	3%
<b>Total Income</b>	<b>9,994</b>	<b>7,675</b>	<b>6,736</b>	<b>-12%</b>	<b>5,155</b>	<b>-23%</b>	<b>5,213</b>	<b>1%</b>	<b>5,273</b>	<b>1%</b>	<b>5,319</b>	<b>1%</b>
Operating Expenses	-4,886	-3,548	-3,404	-4%	-2,477	-27%	-2,347	-5%	-2,294	-2%	-2,287	0%
<b>Gross Operating Profit</b>	<b>5,008</b>	<b>4,127</b>	<b>3,332</b>	<b>-19%</b>	<b>2,678</b>	<b>-20%</b>	<b>2,866</b>	<b>7%</b>	<b>2,979</b>	<b>4%</b>	<b>3,032</b>	<b>2%</b>
Total impairments	-4,828	-4,513	-3,188	-29%	-1,343	-58%	-1,102	-18%	-1,030	-7%	-988	-4%
Associates & Joint Ventures	-95	0	0	N.A.	0	N.A.	0	N.A.	0	N.A.	0	N.A.
<b>Underlying Profit Before Tax</b>	<b>180</b>	<b>-386</b>	<b>144</b>	<b>-137%</b>	<b>1,335</b>	<b>827%</b>	<b>1,764</b>	<b>32%</b>	<b>1,949</b>	<b>10%</b>	<b>2,044</b>	<b>5%</b>
Risk Weighted Assets	222,746	192,900	165,200	-14%	135,826	-18%	129,120	-5%	125,246	-3%	123,994	-1%
Gross Loans	187,651	169,964	144,770	-15%	133,448	-8%	124,270	-7%	118,057	-5%	114,515	-3%
Customer Deposits	113,162	116,700	109,700	-6%	118,400	8%	118,400	0%	118,400	0%	118,400	0%
<b>Cost-income ratio</b>	<b>46.9%</b>	<b>43.3%</b>	<b>49.0%</b>		<b>48.0%</b>		<b>45.0%</b>		<b>43.5%</b>		<b>43.0%</b>	
<b>Bad debts/Advances</b>	<b>2.23%</b>	<b>2.35%</b>	<b>1.87%</b>		<b>0.97%</b>		<b>0.85%</b>		<b>0.85%</b>		<b>0.85%</b>	
<b>Wealth, Asset Finance and International</b>												
Net Interest Income	1,050	1,003	799	-20%	872	9%	841	-3%	806	-4%	801	-1%
Non-Interest Income	1,123	2,230	2,043	-8%	1,821	-11%	1,480	-19%	1,473	-1%	1,484	1%
<b>Total Income</b>	<b>2,165</b>	<b>3,233</b>	<b>2,842</b>	<b>-12%</b>	<b>2,693</b>	<b>-5%</b>	<b>2,322</b>	<b>-14%</b>	<b>2,279</b>	<b>-2%</b>	<b>2,285</b>	<b>0%</b>
Operating Expenses	-1,536	-2,414	-2,291	-5%	-2,031	-11%	-1,705	-16%	-1,686	-1%	-1,687	0%
<b>Gross Operating Profit</b>	<b>629</b>	<b>819</b>	<b>551</b>	<b>-33%</b>	<b>662</b>	<b>20%</b>	<b>617</b>	<b>-7%</b>	<b>593</b>	<b>-4%</b>	<b>598</b>	<b>1%</b>
Total impairments	-5,988	-3,604	-1,480	-59%	-732	-51%	-436	-40%	-292	-33%	-181	-38%
<b>Underlying Profit Before Tax</b>	<b>-5,359</b>	<b>-2,785</b>	<b>-929</b>	<b>-67%</b>	<b>-70</b>	<b>-92%</b>	<b>181</b>	<b>-359%</b>	<b>301</b>	<b>66%</b>	<b>417</b>	<b>39%</b>
Gross Loans	66,368	51,506	42,927	-17%	36,388	-15%	31,908	-12%	29,804	-7%	28,241	-5%
Customer Deposits (ex-repos)	32,800	42,019	51,900	24%	49,474	-5%	24,848	-50%	25,030	1%	25,219	1%
<b>Cost-income ratio</b>	<b>70.9%</b>	<b>74.7%</b>	<b>80.6%</b>		<b>75.4%</b>		<b>73.4%</b>		<b>74.0%</b>		<b>73.8%</b>	
<b>Group Ops &amp; Central Items</b>												
<b>Total Income</b>	<b>491</b>	<b>381</b>	<b>-102</b>	<b>-127%</b>	<b>144</b>	<b>-241%</b>	<b>24</b>	<b>-83%</b>	<b>-114</b>	<b>-573%</b>	<b>-251</b>	<b>121%</b>
Operating Expenses	-150	-357	-374	5%	-255	-32%	-254	0%	-379	49%	-379	0%
<b>Underlying Profit Before Tax</b>	<b>341</b>	<b>21</b>	<b>-477</b>	<b>-2371%</b>	<b>-111</b>	<b>-77%</b>	<b>-230</b>	<b>107%</b>	<b>-493</b>	<b>114%</b>	<b>-630</b>	<b>28%</b>

Source: Company Reports and Citi Research Estimates

Figure 124. Lloyds Banking Group – Divisional Profit and Loss Accounts, 1H10-2H14E (£m)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>UK Retail Banking</b>										
Net Interest Income	4,357	4,291	3,870	3,627	3,553	3,642	3,590	3,774	3,804	3,623
Non-Interest Income	836	771	846	814	766	696	728	700	707	694
<b>Total Income</b>	<b>5,201</b>	<b>5,071</b>	<b>4,716</b>	<b>4,441</b>	<b>4,319</b>	<b>4,338</b>	<b>4,318</b>	<b>4,474</b>	<b>4,511</b>	<b>4,317</b>
Operating Expenses	-2,233	-2,411	-2,221	-2,217	-2,089	-2,110	-2,046	-2,046	-2,015	-1,890
<b>Gross Operating Profit</b>	<b>2,968</b>	<b>2,660</b>	<b>2,495</b>	<b>2,224</b>	<b>2,230</b>	<b>2,228</b>	<b>2,272</b>	<b>2,428</b>	<b>2,496</b>	<b>2,427</b>
Total impairments	-1,335	-1,412	-1,173	-797	-758	-512	-636	-563	-562	-596
<b>Underlying Profit Before Tax</b>	<b>1,633</b>	<b>1,248</b>	<b>1,322</b>	<b>1,427</b>	<b>1,472</b>	<b>1,716</b>	<b>1,636</b>	<b>1,865</b>	<b>1,934</b>	<b>1,831</b>
Risk Weighted Assets	106,798	109,254	109,624	103,237	100,200	95,470	91,600	87,963	89,283	80,663
Gross Loans	374,204	368,781	362,441	356,907	350,611	346,560	343,513	340,078	345,179	326,357
Deposits	230,700	235,591	242,342	247,088	254,700	260,838	263,200	267,148	271,155	249,827
<b>Net Interest Margin</b>	<b>2.44%</b>	<b>2.43%</b>	<b>2.26%</b>	<b>2.15%</b>	<b>2.15%</b>	<b>2.23%</b>	<b>2.23%</b>	<b>2.31%</b>	<b>2.36%</b>	<b>2.21%</b>
<b>Cost-income ratio</b>	<b>42.9%</b>	<b>47.5%</b>	<b>47.1%</b>	<b>49.9%</b>	<b>48.4%</b>	<b>48.6%</b>	<b>47.4%</b>	<b>45.7%</b>	<b>44.7%</b>	<b>43.8%</b>
<b>Bad debts/Advances</b>	<b>0.71%</b>	<b>0.58%</b>	<b>0.64%</b>	<b>0.44%</b>	<b>0.21%</b>	<b>0.15%</b>	<b>0.18%</b>	<b>0.16%</b>	<b>0.16%</b>	<b>0.18%</b>
<b>Insurance &amp; Investment</b>										
Net Interest Income	-19	-20	-25	-42	-37	-41	-45	-40	-45	-45
Non-Interest Income (net insurance)	1,320	1,479	1,319	1,368	1,156	1,138	1,111	1,110	1,160	1,160
<b>Total Income</b>	<b>1,291</b>	<b>1,459</b>	<b>1,294</b>	<b>1,326</b>	<b>1,119</b>	<b>1,097</b>	<b>1,066</b>	<b>1,070</b>	<b>1,115</b>	<b>1,115</b>
Operating Expenses	-684	-712	-613	-542	-617	-492	-502	-525	-510	-510
<b>Underlying Profit Before Tax</b>	<b>607</b>	<b>747</b>	<b>681</b>	<b>784</b>	<b>502</b>	<b>605</b>	<b>564</b>	<b>545</b>	<b>605</b>	<b>605</b>
Investment Variance less reserves	-199	505	177	-1,015	0	0	0	0	0	0
<b>Profit Before Tax inc FV unwind &amp; volatility</b>	<b>387</b>	<b>1,245</b>	<b>837</b>	<b>-253</b>	<b>481</b>	<b>584</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Commercial Banking</b>										
Net Interest Income	2,304	2,797	2,237	2,206	1,698	1,687	1,196	1,233	1,213	1,234
Non-Interest Income	1,750	3,138	1,803	1,429	1,706	1,645	1,426	1,300	1,447	1,320
<b>Total Income</b>	<b>4,054</b>	<b>5,935</b>	<b>4,040</b>	<b>3,635</b>	<b>3,404</b>	<b>3,332</b>	<b>2,622</b>	<b>2,533</b>	<b>2,660</b>	<b>2,553</b>
Operating Expenses	-1,899	-2,987	-1,758	-1,790	-1,715	-1,689	-1,261	-1,216	-1,224	-1,123
<b>Gross Operating Profit</b>	<b>2,155</b>	<b>2,948</b>	<b>2,282</b>	<b>1,845</b>	<b>1,689</b>	<b>1,643</b>	<b>1,361</b>	<b>1,317</b>	<b>1,437</b>	<b>1,430</b>
Total impairments	-1,451	-3,377	-1,762	-2,751	-1,517	-1,671	-727	-616	-570	-531
Associates & Joint Ventures	0	0	0	0	0	0	0	0	0	0
<b>Underlying Profit Before Tax</b>	<b>704</b>	<b>-429</b>	<b>520</b>	<b>-906</b>	<b>172</b>	<b>-28</b>	<b>634</b>	<b>701</b>	<b>866</b>	<b>898</b>
Risk Weighted Assets	280,744	222,746		192,900		165,200	150,500	135,826	132,431	129,120
Gross Loans	205,181	187,651		169,964		144,770	140,472	133,448	128,778	124,270
Customer Deposits		113,162		116,700		109,700	118,400	118,400	118,400	118,400
<b>Cost-income ratio</b>	<b>43.4%</b>	<b>48.2%</b>		<b>46.9%</b>		<b>48.8%</b>	<b>48.1%</b>	<b>48.0%</b>	<b>46.0%</b>	<b>44.0%</b>
<b>Bad debts/Advances</b>	<b>1.21%</b>	<b>3.24%</b>		<b>0.00%</b>		<b>0.00%</b>	<b>1.02%</b>	<b>0.90%</b>	<b>0.87%</b>	<b>0.84%</b>
<b>Wealth, Asset Finance and International</b>										
Net Interest Income	545	505	642	361	415	384	431	441	430	411
Non-Interest Income	605	518	1,221	1,009	1,006	1,037	951	870	745	735
<b>Total Income</b>	<b>1,148</b>	<b>1,017</b>	<b>1,863</b>	<b>1,370</b>	<b>1,421</b>	<b>1,421</b>	<b>1,382</b>	<b>1,311</b>	<b>1,175</b>	<b>1,147</b>
Operating Expenses	-744	-792	-1,288	-1,126	-1,136	-1,155	-1,033	-998	-864	-842
<b>Gross Operating Profit</b>	<b>404</b>	<b>225</b>	<b>575</b>	<b>244</b>	<b>285</b>	<b>266</b>	<b>349</b>	<b>313</b>	<b>312</b>	<b>305</b>
Total impairments	-2,228	-3,760	-2,647	-957	-991	-489	-450	-282	-245	-191
<b>Underlying Profit Before Tax</b>	<b>-1,824</b>	<b>-3,535</b>	<b>-2,072</b>	<b>-713</b>	<b>-706</b>	<b>-223</b>	<b>-101</b>	<b>31</b>	<b>67</b>	<b>114</b>
Gross Loans	65,093	66,368	0	51,506	56,507	42,927	39,833	36,388	34,058	31,908
Customer Deposits (ex-repos)	30,300	32,800	0	42,019	49,700	51,900	48,900	49,474	24,757	24,848
<b>Cost-income ratio</b>	<b>64.8%</b>	<b>77.9%</b>	<b>69.1%</b>	<b>82.2%</b>	<b>79.9%</b>	<b>81.3%</b>	<b>74.7%</b>	<b>76.1%</b>	<b>73.5%</b>	<b>73.4%</b>
<b>Group Ops &amp; Central Items</b>										
<b>Total Income</b>	<b>920</b>	<b>-429</b>	<b>230</b>	<b>151</b>	<b>13</b>	<b>-115</b>	<b>224</b>	<b>-80</b>	<b>12</b>	<b>12</b>
Operating Expenses	-153	3	-121	-236	-154	-220	-55	-200	-127	-127
<b>Underlying Profit Before Tax</b>	<b>767</b>	<b>-426</b>	<b>109</b>	<b>-88</b>	<b>-141</b>	<b>-336</b>	<b>169</b>	<b>-280</b>	<b>-115</b>	<b>-115</b>

Source: Company Reports and Citi Research Estimates

## RBS

Figure 125. Royal Bank of Scotland – Group Profit and Loss Account 2010-16E (£m)

	2010	2011	2012	%chg	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>Net Interest Income</b>	<b>14,200</b>	<b>12,313</b>	<b>11,417</b>	<b>-7%</b>	<b>10,989</b>	<b>-4%</b>	<b>11,448</b>	<b>4%</b>	<b>9,633</b>	<b>-16%</b>	<b>9,174</b>	<b>-5%</b>
Net Fee Income	5,983	5,417	4,876	-10%	4,368	-10%	4,316	-1%	3,300	-24%	3,282	-1%
Income from trading activities	6,070	3,313	3,533	7%	3,042	-14%	2,820	-7%	2,740	-3%	2,721	-1%
Other Operating Income	1,213	2,381	2,259	-5%	1,868	-17%	1,337	-28%	1,687	26%	1,862	10%
<b>Total Operating Revenue</b>	<b>27,466</b>	<b>23,424</b>	<b>22,085</b>	<b>-6%</b>	<b>20,267</b>	<b>-8%</b>	<b>19,920</b>	<b>-2%</b>	<b>17,360</b>	<b>-13%</b>	<b>17,038</b>	<b>-2%</b>
Staff Costs	-8,956	-8,072	-7,377	-9%	-7,115	-4%	-6,629	-7%	-5,277	-20%	-5,173	-2%
Other operating costs	-5,992	-5,139	-4,943	-4%	-4,617	-7%	-4,301	-7%	-3,424	-20%	-3,357	-2%
Depreciation	-1,762	-1,635	-1,534	-6%	-1,355	-12%	-1,262	-7%	-1,005	-20%	-985	-2%
<b>Total Operating Costs</b>	<b>-16,710</b>	<b>-14,846</b>	<b>-13,854</b>	<b>-7%</b>	<b>-13,087</b>	<b>-6%</b>	<b>-12,192</b>	<b>-7%</b>	<b>-9,706</b>	<b>-20%</b>	<b>-9,515</b>	<b>-2%</b>
Other net income	345	0	0	n.m.	0	n.m.	0	n.m.	0	n.m.	0	n.m.
<b>Gross Operating Profit</b>	<b>11,101</b>	<b>8,578</b>	<b>8,231</b>	<b>-4%</b>	<b>7,181</b>	<b>-13%</b>	<b>7,728</b>	<b>8%</b>	<b>7,654</b>	<b>-1%</b>	<b>7,523</b>	<b>-2%</b>
Impairment losses	-9,256	-7,439	-5,279	-29%	-8,537	62%	-3,096	-64%	-2,311	-25%	-1,974	-15%
<b>Pretax Profit (underlying)</b>	<b>1,845</b>	<b>1,139</b>	<b>2,952</b>	<b>159%</b>	<b>-1,357</b>	<b>-146%</b>	<b>4,632</b>	<b>-441%</b>	<b>5,343</b>	<b>15%</b>	<b>5,549</b>	<b>4%</b>
FVO gains	242	1,914	-4,649	-343%	-120	-97%	0	nm	0	nm	0	nm
Restructuring costs, PPI & other	-2,336	-4,444	-3,580	-19%	-1,651	-54%	-5,054	206%	-1,085	-79%	-335	-69%
<b>Pretax Profit (reported)</b>	<b>-249</b>	<b>-1,391</b>	<b>-5,277</b>	<b>nm</b>	<b>-3,128</b>	<b>-41%</b>	<b>-421</b>	<b>-87%</b>	<b>4,258</b>	<b>-1111%</b>	<b>5,214</b>	<b>22%</b>
Tax	-663	-1,075	-441	-59%	285	-165%	104	-64%	-994	-1056%	-1,217	22%
<b>Post-tax profit from continuing ops</b>	<b>-912</b>	<b>-2,466</b>	<b>-5,718</b>	<b>nm</b>	<b>-2,842</b>	<b>-50%</b>	<b>-317</b>	<b>-89%</b>	<b>3,265</b>	<b>-1128%</b>	<b>3,997</b>	<b>22%</b>
Profit / loss from discontinued ops (net of tax)	-28	348	-172	-149%	133	nm	0	nm	139	nm	0	nm
Minority Interests (Incl. Non-Equity)	-61	-28	136	nm	-126	nm	-73	nm	-12	nm	-12	nm
Preference dividends	-124	0	-301	n.m.	-397	32%	-450	13%	-450	0%	-450	0%
<b>Net Attributable Profit</b>	<b>-1,125</b>	<b>-2,146</b>	<b>-6,055</b>	<b>nm</b>	<b>-3,232</b>	<b>-47%</b>	<b>-841</b>	<b>-74%</b>	<b>2,942</b>	<b>-450%</b>	<b>3,535</b>	<b>20%</b>
Ordinary Dividend & DAS Paid Out	0	0	0	nm	-1,125	n.m.	-186	-83%	-745	300%	-1,303	75%
<b>Retained Earnings</b>	<b>-1,125</b>	<b>-2,146</b>	<b>-6,055</b>	<b>nm</b>	<b>-4,357</b>	<b>-28%</b>	<b>-1,027</b>	<b>-76%</b>	<b>2,197</b>	<b>-314%</b>	<b>2,232</b>	<b>2%</b>
<b>PER SHARE DATA</b>												
Basic, Core EPS	96.7p	55.1p	54.3p	-2%	9.7p	-82%	37.4p	286%	36.9p	-1%	34.7p	-6%
Basic Underlying EPS	7.5p	3.7p	15.5p	323%	(19.1)p	-223%	23.6p	-224%	29.6p	25%	31.0p	5%
<b>Diluted Underlying EPS</b>	<b>7.5p</b>	<b>3.7p</b>	<b>15.5p</b>	<b>323%</b>	<b>(19.1)p</b>	<b>-223%</b>	<b>23.6p</b>	<b>-224%</b>	<b>29.6p</b>	<b>25%</b>	<b>31.0p</b>	<b>5%</b>
Diluted EPS Reported	(10.5)p	(19.8)p	(54.7)p	nm	(29.0)p	-47%	(7.5)p	-74%	26.3p	-450%	31.6p	20%
Dividend per share, reported	0.0p	0.0p	0.0p	nm	0.0p	n.m.	5.0p	n.m.	10.0p	100%	15.0p	50%
<b>Diluted BVPS</b>	<b>641.6p</b>	<b>635.7p</b>	<b>570.2p</b>	<b>-10%</b>	<b>522.0p</b>	<b>-8%</b>	<b>512.8p</b>	<b>-2%</b>	<b>532.5p</b>	<b>4%</b>	<b>552.4p</b>	<b>4%</b>
Tangible diluted BVPS	509.9p	500.9p	448.3p	-10%	399.0p	-11%	389.8p	-2%	409.5p	5%	429.4p	5%
<b>OPERATING RATIOS</b>												
Reported NIM	2.0%	1.9%	1.9%		2.1%		2.4%		2.2%		2.2%	
<b>Cost-income ratio, adjusted</b>	<b>60.1%</b>	<b>63.4%</b>	<b>62.7%</b>		<b>64.6%</b>		<b>61.2%</b>		<b>55.9%</b>		<b>55.8%</b>	
NPL ratio	7.4%	8.9%	9.1%		9.3%		5.9%		4.5%		2.7%	
Coverage ratio (Provision / NPL)	47.1%	48.8%	51.7%		61.5%		61.5%		61.5%		61.5%	
Adj. ROE	2.3%	0.6%	2.6%		-3.5%		4.6%		5.7%		5.7%	
<b>Adj. ROTE</b>	<b>3.9%</b>	<b>0.7%</b>	<b>3.2%</b>		<b>-4.5%</b>		<b>6.0%</b>		<b>7.4%</b>		<b>7.4%</b>	
Adj RoA	0.05%	0.03%	0.12%		-0.17%		0.24%		0.33%		0.35%	
<b>BALANCE SHEET SUMMARY</b>												
Total assets	1,452,634	1,506,867	1,312,295	-13%	1,121,568	-15%	1,071,802	-4%	979,999	-9%	984,395	0%
Net loans and advances to customers	502,748	454,112	430,088	-5%	403,137	-6%	392,328	-3%	312,415	-20%	313,831	0%
Customer accounts	510,693	502,955	521,279	4%	512,080	-2%	522,354	2%	444,454	-15%	452,840	2%
Loan to deposit ratio	98%	90%	83%		79%		75%		70%		69%	
Total shareholders funds	70,388	70,075	63,386	-10%	58,312	-8%	57,285	-2%	59,482	4%	61,714	4%
<b>CAPITAL POSITION</b>												
Core tier 1 capital (Basel 2)	49,309	46,341	47,320	2%	43,461	-8%	43,547	0%	43,886	1%	45,746	4%
Core tier 1 capital (Basel 3)	46,897	44,218	37,908	-14%	40,350	6%	39,988	-1%	41,972	5%	44,485	6%
Risk weighted assets (Basel 2)	462,600	439,000	459,600	5%	405,468	-12%	379,265	-6%	296,269	-22%	295,573	0%
Risk weighted assets (Basel 3)	675,725	582,035	494,600	-15%	447,468	-10%	421,265	-6%	338,269	-20%	337,573	0%
<b>Basel 2 Core Tier 1 Ratio (%)</b>	<b>10.7%</b>	<b>10.6%</b>	<b>10.3%</b>		<b>10.7%</b>		<b>11.5%</b>		<b>14.8%</b>		<b>15.5%</b>	
<b>Basel 3 Core Tier 1 Ratio (%)</b>	<b>6.9%</b>	<b>7.6%</b>	<b>7.7%</b>		<b>9.0%</b>		<b>9.5%</b>		<b>12.4%</b>		<b>13.2%</b>	
Basel 2 Tier 1 ratio (%)	12.9%	13.0%	12.4%		13.0%		13.9%		17.9%		18.6%	

Source: Company Reports and Citi Research Estimates

Figure 126. Royal Bank of Scotland – Group Profit and Loss Account 1Q11-4Q13E (£m)

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13E
Net Interest Income	3,203	3,135	2,987	2,988	2,923	2,907	2,811	2,776	2,672	2,770	2,728	2,819
Net Fee Income	1,460	1,460	1,247	1,250	1,306	1,249	1,191	1,130	1,106	1,142	1,001	1,119
Income from trading activities	1,570	1,219	282	242	1,264	929	769	571	1,016	874	621	531
Other Operating Income	673	830	505	373	672	435	787	365	367	661	420	420
<b>Total Operating Revenue</b>	<b>6,906</b>	<b>6,644</b>	<b>5,021</b>	<b>4,853</b>	<b>6,165</b>	<b>5,520</b>	<b>5,558</b>	<b>4,842</b>	<b>5,161</b>	<b>5,447</b>	<b>4,770</b>	<b>4,889</b>
Staff Costs	-2,298	-2,080	-1,949	-1,745	-2,171	-1,945	-1,882	-1,379	-1,821	-1,764	-1,797	-1,733
Other operating costs	-1,290	-1,280	-1,318	-1,251	-1,234	-1,307	-1,217	-1,185	-1,221	-1,327	-1,093	-976
Depreciation	-373	-396	-416	-450	-394	-382	-374	-384	-339	-308	-338	-370
<b>Total Operating Costs</b>	<b>-3,961</b>	<b>-3,756</b>	<b>-3,683</b>	<b>-3,446</b>	<b>-3,799</b>	<b>-3,634</b>	<b>-3,473</b>	<b>-2,948</b>	<b>-3,381</b>	<b>-3,399</b>	<b>-3,228</b>	<b>-3,079</b>
Other net income	0	0	0	0	0	0	0	0	0	0	0	0
<b>Gross Operating Profit</b>	<b>2,945</b>	<b>2,888</b>	<b>1,338</b>	<b>1,407</b>	<b>2,366</b>	<b>1,886</b>	<b>2,085</b>	<b>1,894</b>	<b>1,780</b>	<b>2,048</b>	<b>1,542</b>	<b>1,811</b>
Impairment losses	-1,947	-2,264	-1,536	-1,692	-1,314	-1,335	-1,176	-1,454	-1,033	-1,117	-1,104	-5,283
<b>Pretax Profit (underlying)</b>	<b>998</b>	<b>624</b>	<b>-198</b>	<b>-285</b>	<b>1,052</b>	<b>551</b>	<b>909</b>	<b>440</b>	<b>747</b>	<b>931</b>	<b>438</b>	<b>-3,473</b>
FVO gains	-560	324	2,622	-472	-2,456	-518	-1,455	-220	249	127	-496	0
Restructuring costs, PPI & other	-685	-1,831	-599	-1,336	-110	-201	-822	-2,447	-170	-510	-576	-395
<b>Pretax Profit (reported)</b>	<b>-247</b>	<b>-883</b>	<b>1,825</b>	<b>-2,093</b>	<b>-1,514</b>	<b>-168</b>	<b>-1,368</b>	<b>-2,227</b>	<b>826</b>	<b>548</b>	<b>-634</b>	<b>-3,868</b>
Tax	-389	-168	-744	226	-138	-261	-3	-39	-350	-328	-81	1,044
<b>Post-tax profit from continuing ops</b>	<b>-636</b>	<b>-1,051</b>	<b>1,081</b>	<b>-1,867</b>	<b>-1,652</b>	<b>-429</b>	<b>-1,371</b>	<b>-2,266</b>	<b>476</b>	<b>220</b>	<b>-715</b>	<b>-2,823</b>
Profit / loss from discont'd ops (net of tax)	69	133	100	46	93	13	67	-345	129	9	-5	0
Minority Interests (Incl. Non-Equity)	1	-18	7	-18	14	11	3	108	-131	14	-6	-3
Preference dividends	0	0	0	0	0	-82	-104	-115	-81	-101	-102	-113
<b>Net Attributable Profit</b>	<b>-566</b>	<b>-936</b>	<b>1,188</b>	<b>-1,839</b>	<b>-1,545</b>	<b>-487</b>	<b>-1,405</b>	<b>-2,618</b>	<b>393</b>	<b>142</b>	<b>-828</b>	<b>-2,939</b>
Ordinary Dividend & DAS Paid Out	0	0	0	0	0	0	0	0	0	0	0	-1,125
<b>Retained Earnings</b>	<b>-566</b>	<b>-936</b>	<b>1,188</b>	<b>-1,839</b>	<b>-1,545</b>	<b>-487</b>	<b>-1,405</b>	<b>-2,618</b>	<b>393</b>	<b>142</b>	<b>-828</b>	<b>-4,064</b>
<b>PER SHARE DATA</b>												
Basic, Core EPS	32.6p	13.1p	3.6p	6.2p	11.6p	22.9p	10.1p	10.1p	5.3p	3.4p	7.2p	(6.2)p
Basic Underlying EPS	6.3p	3.5p	(1.7)p	(4.4)p	6.8p	2.6p	4.8p	1.5p	2.7p	2.4p	1.7p	(25.7)p
<b>Diluted Underlying EPS</b>	<b>6.3p</b>	<b>3.5p</b>	<b>(1.7)p</b>	<b>(4.3)p</b>	<b>6.7p</b>	<b>2.6p</b>	<b>4.7p</b>	<b>1.5p</b>	<b>2.7p</b>	<b>2.4p</b>	<b>1.7p</b>	<b>(25.7)p</b>
Diluted EPS Reported	(5.3)p	(8.7)p	10.9p	(17.0)p	(14.2)p	(4.4)p	(12.7)p	(23.6)p	3.5p	1.3p	(7.4)p	(26.2)p
Dividend per share, reported	6.3p	3.5p	(1.7)p	(4.3)p	6.7p	2.6p	4.7p	1.5p	2.7p	2.4p	1.7p	(25.7)p
<b>Diluted BVPS</b>	<b>647.0p</b>	<b>648.3p</b>	<b>669.8p</b>	<b>635.7p</b>	<b>621.2p</b>	<b>623.1p</b>	<b>608.4p</b>	<b>567.4p</b>	<b>577.1p</b>	<b>563.7p</b>	<b>555.8p</b>	<b>519.6p</b>
Tangible diluted BVPS	512.5p	513.2p	533.9p	500.9p	487.6p	489.2p	475.9p	446.2p	454.1p	440.2p	433.3p	397.1p
<b>OPERATING RATIOS</b>												
Reported NIM	2.0%	1.9%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	2.2%
<b>Cost-income ratio, adjusted</b>	<b>57.4%</b>	<b>56.5%</b>	<b>73.4%</b>	<b>71.0%</b>	<b>61.6%</b>	<b>65.8%</b>	<b>62.5%</b>	<b>60.9%</b>	<b>65.5%</b>	<b>62.4%</b>	<b>67.7%</b>	<b>63.0%</b>
NPL ratio	8.0%	8.3%	8.4%	8.9%	9.0%	9.0%	9.3%	9.1%	9.0%	9.6%	9.4%	9.3%
Coverage ratio (Provision / NPL)	46.9%	49.0%	48.5%	48.8%	50.8%	51.3%	50.8%	51.7%	52.4%	51.6%	53.1%	61.5%
<b>BALANCE SHEET SUMMARY</b>												
Total Assets (m)	1,413	1,446	1,608	1,507	1,403	1,415	1,377	1,312	1,308	1,216	1,129	1,122
Net loans and advances to customers	494,148	489,572	485,573	454,112	440,406	434,965	423,155	430,088	432,360	418,792	406,927	403,137
Customer accounts	518,906	517,525	529,351	502,955	497,510	501,719	506,055	521,279	526,095	526,418	506,941	512,080
Loan to deposit ratio	95%	95%	92%	90%	89%	87%	84%	83%	82%	80%	80%	79%
Total shareholders funds	69,332	70,000	72,699	70,075	68,672	69,272	67,955	63,386	65,341	63,891	62,376	58,312
<b>CAPITAL POSITION</b>												
Core tier 1 capital (Basel 2)	49,038	48,001	47,830	46,341	46,802	48,155	48,100	47,320	48,245	48,444	47,525	43,461
Tier 1 capital (Basel 2)	<b>59,548</b>	<b>58,387</b>	<b>58,336</b>	<b>56,990</b>	<b>57,342</b>	<b>58,459</b>	<b>58,079</b>	<b>57,135</b>	<b>57,459</b>	<b>57,788</b>	<b>56,630</b>	<b>52,566</b>
Risk weighted assets (Basel 2)	439,700	433,500	423,300	439,000	434,300	434,700	432,900	459,600	445,800	436,000	410,000	405,468
<b>Basel 2 Core Tier 1 Ratio (%)</b>	<b>11.2%</b>	<b>11.1%</b>	<b>11.3%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>10.3%</b>	<b>10.8%</b>	<b>11.1%</b>	<b>11.6%</b>	<b>10.7%</b>
Basel 2 Tier 1 ratio (%)	13.5%	13.5%	13.8%	13.0%	13.2%	13.4%	13.4%	12.4%	12.9%	13.3%	13.8%	13.0%

Source: Company Reports and Citi Research Estimates

Figure 127. Royal Bank of Scotland – Divisional Profit and Loss Account 2010-2016E (£m)

	2010	2011	2012	%chg	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>MARKETS</b>												
Rates	2,312	2,067	2,230	8%	1,437	-36%	1,360	-5%	1,319	-3%	1,306	-1%
Currencies	1,047	1,060	757	-29%	912	20%	862	-5%	837	-3%	828	-1%
Asset backed products	1,479	1,254	1,318	5%	836	-37%	791	-5%	767	-3%	760	-1%
Credit markets	1,350	616	862	40%	721	-16%	682	-5%	661	-3%	655	-1%
Investor products and equity derivatives	672	0	0	n.m.	0	n.m.	0	n.m.	0	n.m.	0	n.m.
<b>Total income continuing businesses</b>	<b>6,860</b>	<b>4,997</b>	<b>5,167</b>	<b>3%</b>	<b>3,905</b>	<b>-24%</b>	<b>3,695</b>	<b>-5%</b>	<b>3,584</b>	<b>-3%</b>	<b>3,548</b>	<b>-1%</b>
Inter-divisional revenue share	-883	-767	-691	-10%	-641	-7%	-607	-5%	-588	-3%	-582	-1%
Run-off businesses	256	185	7	-96%	37	429%	0	-100%	0	n.m.	0	n.m.
<b>Total income</b>	<b>6,233</b>	<b>4,415</b>	<b>4,483</b>	<b>2%</b>	<b>3,301</b>	<b>-26%</b>	<b>3,088</b>	<b>-6%</b>	<b>2,995</b>	<b>-3%</b>	<b>2,965</b>	<b>-1%</b>
Total Direct Expenses	-2,745	-2,707	-2,175	-20%	-1,929	-11%	-1,736	-10%	-1,597	-8%	-1,517	-5%
Indirect Expenses	-699	-771	-762	-1%	-715	-6%	-644	-10%	-592	-8%	-562	-5%
<b>Operating Profit</b>	<b>2,789</b>	<b>937</b>	<b>1,546</b>	<b>65%</b>	<b>657</b>	<b>-57%</b>	<b>708</b>	<b>8%</b>	<b>806</b>	<b>14%</b>	<b>886</b>	<b>10%</b>
Impairment losses	-65	-38	-37	-3%	-58	57%	0	-100%	0	n.m.	0	n.m.
<b>Pretax Contribution</b>	<b>2,724</b>	<b>899</b>	<b>1,509</b>	<b>68%</b>	<b>599</b>	<b>-60%</b>	<b>708</b>	<b>18%</b>	<b>806</b>	<b>14%</b>	<b>886</b>	<b>10%</b>
Total third party assets (ex derivs mtm)	396,700	312,600	284,400	-9%	242,161	-15%	229,101	-5%	218,286	-5%	209,711	-4%
Risk Weighted Assets	146,900	120,300	101,300	-16%	69,540	-31%	55,632	-20%	50,069	-10%	47,565	-5%
Cost/income	55%	79%	64%		80%		77%		73%		70%	
RoE*	17%	6%	10%		4%		6%		8%		9%	
<b>UK CORP AND COMMERCIAL</b>												
Net Interest Income	3,000	3,092	2,974	-4%	2,881	-3%	2,979	3%	3,265	10%	3,099	-5%
Fees and commissions	1,353	1,375	1,365	-1%	1,314	-4%	1,380	5%	1,449	5%	1,376	-5%
Non-Interest Income	443	396	384	-3%	303	-21%	318	5%	334	5%	317	-5%
<b>Total Income</b>	<b>4,796</b>	<b>4,863</b>	<b>4,723</b>	<b>-3%</b>	<b>4,498</b>	<b>-5%</b>	<b>4,677</b>	<b>4%</b>	<b>5,047</b>	<b>8%</b>	<b>4,793</b>	<b>-5%</b>
Total Direct Expenses	-1,323	-1,324	-1,304	-2%	-1,316	1%	-1,329	1%	-1,356	2%	-1,289	-5%
Indirect Expenses	-813	-822	-785	-5%	-847	8%	-864	2%	-881	2%	-838	-5%
<b>Operating Profit</b>	<b>2,660</b>	<b>2,717</b>	<b>2,634</b>	<b>-3%</b>	<b>2,335</b>	<b>-11%</b>	<b>2,484</b>	<b>6%</b>	<b>2,810</b>	<b>13%</b>	<b>2,666</b>	<b>-5%</b>
Impairment losses	-767	-793	-838	6%	-1,629	94%	-676	-59%	-682	1%	-723	6%
<b>Pretax Contribution</b>	<b>1,893</b>	<b>1,924</b>	<b>1,796</b>	<b>-7%</b>	<b>706</b>	<b>-61%</b>	<b>1,809</b>	<b>156%</b>	<b>2,129</b>	<b>18%</b>	<b>1,943</b>	<b>-9%</b>
Gross Loans & Advances To Customers	113,800	110,700	107,000	-3%	104,319	-3%	108,492	4%	101,272	-7%	105,323	4%
Risk Weighted Assets	84,200	79,300	86,300	9%	92,636	7%	96,341	4%	90,719	-6%	94,348	4%
Reported NIM	2.51%	3.06%	3.06%		3.04%		3.19%		3.36%		3.42%	
Cost income ratio	45%	44%	44%		48%		47%		44%		44%	
Impairment charge / advances (bp)	68	71	77		154		60		65		70	
RoE*	12%	12%	15%		5%		13%		16%		14%	
<b>UK RETAIL</b>												
Net Interest Income	4,054	4,302	3,990	-7%	3,995	0%	4,258	7%	4,471	5%	4,391	-2%
Fees and commissions	1,100	1,066	884	-17%	890	1%	935	5%	925	-1%	916	-1%
Other non-interest income	237	140	95	-32%	55	-42%	58	5%	57	-1%	57	-1%
<b>Total Income</b>	<b>5,391</b>	<b>5,508</b>	<b>4,969</b>	<b>-10%</b>	<b>4,940</b>	<b>-1%</b>	<b>5,251</b>	<b>6%</b>	<b>5,453</b>	<b>4%</b>	<b>5,364</b>	<b>-2%</b>
Total Direct Expenses	-1,369	-1,290	-1,183	-8%	-1,169	-1%	-1,204	3%	-1,240	3%	-1,176	-5%
Indirect Expenses	-1,514	-1,409	-1,366	-3%	-1,394	2%	-1,436	3%	-1,479	3%	-1,402	-5%
<b>Operating Profit</b>	<b>2,508</b>	<b>2,809</b>	<b>2,420</b>	<b>-14%</b>	<b>2,377</b>	<b>-2%</b>	<b>2,611</b>	<b>10%</b>	<b>2,734</b>	<b>5%</b>	<b>2,786</b>	<b>2%</b>
Impairment losses	-1,160	-788	-529	-33%	-357	-32%	-425	19%	-495	16%	-536	8%
<b>Pretax Contribution</b>	<b>1,348</b>	<b>2,021</b>	<b>1,891</b>	<b>-6%</b>	<b>2,020</b>	<b>7%</b>	<b>2,186</b>	<b>8%</b>	<b>2,239</b>	<b>2%</b>	<b>2,250</b>	<b>0%</b>
Gross Loans & Advances To Customers	108,400	110,800	113,600	3%	113,758	0%	118,031	4%	114,511	-3%	118,822	4%
Risk Weighted Assets	48,800	48,400	45,700	-6%	45,221	-1%	47,482	5%	46,147	-3%	48,455	5%
Reported NIM	3.91%	3.92%	3.58%		3.56%		3.58%		3.87%		3.79%	
Cost income ratio	53%	49%	51%		52%		50%		50%		48%	
Impairment charge / advances (bp)	110	72	50		33		37		43		46	
RoE*	18%	26%	24%		26%		27%		29%		27%	
<b>UK WEALTH</b>												
Net Interest Income	588	645	720	12%	680	-6%	714	5%	750	5%	787	5%
Fees and commissions	376	375	366	-2%	360	-2%	377	5%	392	4%	408	4%
Other non-interest income	71	84	84	0%	66	-21%	69	4%	71	4%	74	4%
<b>Total Income</b>	<b>1,035</b>	<b>1,104</b>	<b>1,170</b>	<b>6%</b>	<b>1,106</b>	<b>-5%</b>	<b>1,160</b>	<b>5%</b>	<b>1,213</b>	<b>5%</b>	<b>1,269</b>	<b>5%</b>
Total Direct Expenses	-524	-539	-581	8%	-541	-7%	-545	1%	-550	1%	-554	1%
Indirect Expenses	-210	-298	-300	1%	-310	3%	-313	1%	-316	1%	-319	1%
<b>Operating Profit</b>	<b>301</b>	<b>267</b>	<b>289</b>	<b>8%</b>	<b>255</b>	<b>-12%</b>	<b>301</b>	<b>18%</b>	<b>347</b>	<b>15%</b>	<b>396</b>	<b>14%</b>
Impairment losses	-18	-25	-46	84%	-13	-72%	-18	35%	-18	5%	-19	5%
<b>Pretax Contribution</b>	<b>283</b>	<b>242</b>	<b>243</b>	<b>0%</b>	<b>242</b>	<b>0%</b>	<b>284</b>	<b>17%</b>	<b>329</b>	<b>16%</b>	<b>377</b>	<b>14%</b>
Gross Loans & Advances To Customers	16,100	16,900	17,100	1%	17,098	0%	17,927	5%	18,796	5%	19,708	5%
Risk Weighted Assets	12,500	12,900	12,300	-5%	12,242	0%	12,835	5%	13,458	5%	14,110	5%
Fees as % of AUM	1.20%	1.19%	1.22%		1.21%		1.20%		1.20%		1.20%	
Cost income ratio	71%	76%	75%		77%		74%		71%		69%	
RoE*	19%	19%	14%		14%		15%		17%		19%	

Source: Company Reports and Citi Research Estimates; Note: \*Based on 10% CET1 allocation



Figure 128. Royal Bank of Scotland – Divisional Profit and Loss Account 1Q11-4Q13E (£m)

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13E
<b>MARKETS</b>												
Rates	965	470	118	514	924	507	466	333	340	395	390	312
Currencies	241	267	293	259	246	175	173	163	192	257	257	206
Asset backed products	617	367	241	29	427	378	374	139	437	174	125	100
Credit markets	430	208	-58	36	313	184	186	179	238	146	187	150
Investor products and equity derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total income continuing businesses</b>	<b>2,253</b>	<b>1,312</b>	<b>594</b>	<b>838</b>	<b>1,910</b>	<b>1,244</b>	<b>1,199</b>	<b>814</b>	<b>1,207</b>	<b>972</b>	<b>959</b>	<b>767</b>
Inter-divisional revenue share	-208	-204	-178	-177	-186	-174	-159	-172	-167	-150	-162	-162
Run-off businesses	63	60	31	31	10	-4	2	-1	0	0	37	0
<b>Total income</b>	<b>2,108</b>	<b>1,168</b>	<b>447</b>	<b>692</b>	<b>1,734</b>	<b>1,066</b>	<b>1,042</b>	<b>641</b>	<b>1,040</b>	<b>822</b>	<b>834</b>	<b>605</b>
Total Direct Expenses	-892	-664	-600	-551	-712	-610	-559	-294	-567	-508	-447	-407
Indirect Expenses	-187	-191	-200	-193	-196	-186	-194	-186	-179	-178	-178	-180
<b>Operating Profit</b>	<b>1,029</b>	<b>313</b>	<b>-353</b>	<b>-52</b>	<b>826</b>	<b>270</b>	<b>289</b>	<b>161</b>	<b>294</b>	<b>136</b>	<b>209</b>	<b>18</b>
Impairment losses	0	14	5	-57	-2	-19	6	-22	-16	-43	1	0
<b>Pretax Contribution</b>	<b>1,029</b>	<b>327</b>	<b>-348</b>	<b>-109</b>	<b>824</b>	<b>251</b>	<b>295</b>	<b>139</b>	<b>278</b>	<b>93</b>	<b>210</b>	<b>18</b>
Total third party assets (ex derivs mtm)	366,600	362,100	346,400	312,600	299,800	302,000	304,200	284,400	287,900	267,700	248,200	242,161
Risk Weighted Assets	114,300	106,600	104,000	120,300	115,600	107,900	108,000	101,300	88,500	86,800	73,200	69,540
Cost/income	51%	73%	179%	108%	52%	75%	72%	75%	72%	83%	75%	97%
RoE*	26%	8%	-8%	-2%	21%	7%	8%	4%	8%	3%	7%	1%
<b>UK CORP AND COMMERCIAL</b>												
Net Interest Income	811	770	753	758	756	772	729	717	706	715	725	735
Fees and commissions	345	336	353	341	336	346	334	349	321	335	328	330
Non-Interest Income	106	112	100	78	109	93	75	107	57	92	59	95
<b>Total Income</b>	<b>1,262</b>	<b>1,218</b>	<b>1,206</b>	<b>1,177</b>	<b>1,201</b>	<b>1,211</b>	<b>1,138</b>	<b>1,173</b>	<b>1,084</b>	<b>1,142</b>	<b>1,112</b>	<b>1,160</b>
Total Direct Expenses	-342	-322	-326	-334	-334	-325	-320	-325	-333	-339	-319	-325
Indirect Expenses	-196	-204	-221	-201	-199	-193	-203	-190	-208	-214	-221	-204
<b>Operating Profit</b>	<b>724</b>	<b>692</b>	<b>659</b>	<b>642</b>	<b>668</b>	<b>693</b>	<b>615</b>	<b>658</b>	<b>543</b>	<b>589</b>	<b>572</b>	<b>631</b>
Impairment losses	-107	-220	-230	-236	-176	-181	-247	-234	-185	-194	-150	-1,100
<b>Pretax Contribution</b>	<b>617</b>	<b>472</b>	<b>429</b>	<b>406</b>	<b>492</b>	<b>512</b>	<b>368</b>	<b>424</b>	<b>358</b>	<b>395</b>	<b>422</b>	<b>-469</b>
Gross Loans & Advances To Customers	114,800	113,200	112,600	110,700	109,700	110,100	108,300	107,000	106,800	104,600	103,800	104,319
Risk Weighted Assets	82,300	81,000	78,800	79,300	76,900	79,400	82,100	86,300	87,000	88,100	87,200	92,636
Reported NIM	3.19%	3.03%	2.98%	3.02%	3.09%	3.17%	2.99%	2.97%	3.01%	3.05%	3.09%	3.16%
Cost income ratio	43%	43%	45%	45%	44%	43%	46%	44%	50%	48%	49%	46%
Impairment charge / advances (bp)	19	39	41	42	32	33	45	43	35	37	29	212
RoE*	19%	15%	14%	13%	16%	17%	12%	13%	11%	12%	12%	-13%
<b>UK RETAIL</b>												
Net Interest Income	1,086	1,098	1,086	1,032	1,001	988	990	1,011	965	987	1,013	1,030
Fees and commissions	270	295	259	242	237	214	231	202	212	215	243	220
Other non-interest income	34	38	33	35	29	28	21	17	14	10	11	20
<b>Total Income</b>	<b>1,390</b>	<b>1,431</b>	<b>1,378</b>	<b>1,309</b>	<b>1,267</b>	<b>1,230</b>	<b>1,242</b>	<b>1,230</b>	<b>1,191</b>	<b>1,212</b>	<b>1,267</b>	<b>1,270</b>
Total Direct Expenses	-332	-327	-311	-320	-289	-324	-294	-276	-290	-295	-314	-270
Indirect Expenses	-346	-361	-362	-340	-346	-329	-343	-348	-344	-351	-354	-345
<b>Operating Profit</b>	<b>712</b>	<b>743</b>	<b>705</b>	<b>649</b>	<b>632</b>	<b>577</b>	<b>605</b>	<b>606</b>	<b>557</b>	<b>566</b>	<b>599</b>	<b>655</b>
Impairment losses	-194	-208	-195	-191	-155	-140	-141	-93	-80	-89	-82	-106
<b>Pretax Contribution</b>	<b>518</b>	<b>535</b>	<b>510</b>	<b>458</b>	<b>477</b>	<b>437</b>	<b>464</b>	<b>513</b>	<b>477</b>	<b>477</b>	<b>517</b>	<b>549</b>
Gross Loans & Advances To Customers	110,000	110,400	110,100	110,800	112,500	113,000	112,900	113,600	113,200	112,200	112,700	113,758
Risk Weighted Assets	50,300	49,667	48,700	48,400	48,200	47,400	47,700	45,700	44,500	44,100	44,800	45,221
Reported NIM	4.04%	4.00%	3.90%	3.75%	3.61%	3.57%	3.53%	3.60%	3.49%	3.56%	3.62%	3.66%
Cost income ratio	49%	48%	49%	50%	50%	53%	51%	51%	53%	53%	53%	48%
Impairment charge / advances (bp)	71	75	71	69	56	50	50	33	28	32	29	38
RoE*	25%	26%	25%	23%	24%	23%	24%	27%	26%	26%	28%	29%
<b>UK WEALTH</b>												
Net Interest Income	157	168	152	168	179	178	185	178	169	162	169	180
Fees and commissions	97	94	95	89	93	90	94	89	89	91	90	90
Other non-interest income	17	21	23	23	18	35	13	18	15	19	12	20
<b>Total Income</b>	<b>271</b>	<b>283</b>	<b>270</b>	<b>280</b>	<b>290</b>	<b>303</b>	<b>292</b>	<b>285</b>	<b>273</b>	<b>272</b>	<b>271</b>	<b>290</b>
Total Direct Expenses	-126	-144	-147	-122	-159	-157	-146	-119	-132	-137	-132	-140
Indirect Expenses	-72	-77	-76	-73	-78	-73	-75	-74	-80	-77	-78	-75
<b>Operating Profit</b>	<b>73</b>	<b>62</b>	<b>47</b>	<b>85</b>	<b>53</b>	<b>73</b>	<b>71</b>	<b>92</b>	<b>61</b>	<b>58</b>	<b>61</b>	<b>75</b>
Impairment losses	-5	-3	-4	-13	-10	-12	-8	-16	-5	-2	-1	-5
<b>Pretax Contribution</b>	<b>68</b>	<b>59</b>	<b>43</b>	<b>72</b>	<b>43</b>	<b>61</b>	<b>63</b>	<b>76</b>	<b>56</b>	<b>56</b>	<b>60</b>	<b>70</b>
Gross Loans & Advances To Customers	16,500	16,800	17,000	16,900	16,900	17,000	17,000	17,100	17,200	17,100	16,900	17,098
Risk Weighted Assets	12,600	12,900	13,000	12,900	12,900	12,300	12,300	12,300	12,500	12,500	12,100	12,242
Fees as % of AUM	1.13%	1.10%	1.27%	1.15%	1.18%	1.18%	1.23%	1.23%	1.16%	1.17%	1.18%	1.17%
Cost income ratio	73%	78%	83%	70%	82%	76%	76%	68%	78%	79%	77%	74%
RoE*	15%	13%	9%	15%	9%	13%	14%	17%	12%	12%	13%	15%

Source: Company Reports and Citi Research Estimates; Note: \*Based on 10% CET1 allocation

Figure 129. Royal Bank of Scotland – Divisional Profit and Loss Account 2010-2016E (£m)

	2010	2011	2012	%chg	2013E	%chg	2014E	%chg	2015E	%chg	2016E	%chg
<b>INTERNATIONAL BANKING</b>												
Net interest income	1,353	1,199	922	-23%	724	-21%	750	4%	816	9%	886	9%
Non-interest income	1,924	1,356	1,200	-12%	1,159	-3%	1,194	3%	1,253	5%	1,316	5%
<b>Total income</b>	<b>3,277</b>	<b>2,555</b>	<b>2,122</b>	<b>-17%</b>	<b>1,883</b>	<b>-11%</b>	<b>1,944</b>	<b>3%</b>	<b>2,070</b>	<b>6%</b>	<b>2,203</b>	<b>6%</b>
Total direct expenses	-1,145	-938	-744	-21%	-695	-7%	-674	-3%	-674	0%	-681	1%
Indirect Expenses	-735	-694	-673	-3%	-643	-4%	-624	-3%	-624	0%	-630	1%
<b>Operating Profit</b>	<b>1,397</b>	<b>923</b>	<b>705</b>	<b>-24%</b>	<b>545</b>	<b>-23%</b>	<b>646</b>	<b>18%</b>	<b>772</b>	<b>20%</b>	<b>892</b>	<b>15%</b>
Impairment losses	-86	-168	-111	-34%	-207	86%	-64	-69%	-66	3%	-68	3%
<b>Pretax Contribution</b>	<b>1,311</b>	<b>755</b>	<b>594</b>	<b>-21%</b>	<b>338</b>	<b>-43%</b>	<b>581</b>	<b>72%</b>	<b>706</b>	<b>21%</b>	<b>824</b>	<b>17%</b>
Total third party assets	77,900	69,900	53,000	-24%	53,700	1%	55,311	3%	56,970	3%	58,679	3%
Risk Weighted Assets	51,700	43,200	51,900	20%	44,028	-15%	45,349	3%	46,709	3%	48,110	3%
Reported NIM	1.92%	1.60%	1.64%		1.51%		1.54%		1.62%		1.71%	
Cost/income	57%	64%	67%		71%		67%		63%		60%	
Impairment charge / advances (bp)	14	30	27		49		15		15		15	
RoE*	15%	8%	9%		6%		10%		12%		14%	
<b>ULSTER BANK</b>												
Net Interest Income	839	736	649	-12%	616	-5%	598	-3%	563	-6%	561	0%
Fees and commissions	156	142	145	2%	140	-3%	141	1%	144	2%	147	2%
Other non-interest income	58	69	51	-26%	110	116%	110	0%	111	1%	112	1%
<b>Total Income</b>	<b>1,053</b>	<b>947</b>	<b>845</b>	<b>-11%</b>	<b>866</b>	<b>2%</b>	<b>849</b>	<b>-2%</b>	<b>819</b>	<b>-4%</b>	<b>820</b>	<b>0%</b>
Total Direct Expenses	-311	-292	-263	-10%	-288	10%	-276	-4%	-268	-3%	-263	-2%
Indirect Expenses	-264	-255	-258	1%	-248	-4%	-238	-4%	-231	-3%	-226	-2%
<b>Operating Profit</b>	<b>478</b>	<b>400</b>	<b>324</b>	<b>-19%</b>	<b>330</b>	<b>2%</b>	<b>335</b>	<b>1%</b>	<b>319</b>	<b>-5%</b>	<b>331</b>	<b>4%</b>
Impairment losses	-1,161	-1,384	-1,364	-1%	-1,807	32%	-568	-69%	-375	-34%	-233	-38%
<b>Pretax Contribution</b>	<b>-683</b>	<b>-984</b>	<b>-1,040</b>	<b>6%</b>	<b>-1,477</b>	<b>42%</b>	<b>-233</b>	<b>-84%</b>	<b>-55</b>	<b>-76%</b>	<b>98</b>	<b>-277%</b>
Gross Loans To Customers	36,900	34,100	32,600	-4%	30,732	-6%	26,075	-15%	23,892	-8%	22,739	-5%
Risk Weighted Assets	32,644	36,300	36,100	-1%	31,323	-13%	26,576	-15%	24,352	-8%	23,176	-5%
Reported NIM (bps)	1.84%	1.77%	1.88%		1.89%		1.98%		2.12%		2.26%	
Cost/income	55%	58%	62%		62%		61%		61%		60%	
Impairment charge / advances (bp)	315	406	418		588		200		150		100	
RoE*	-21%	-26%	-22%		-36%		-7%		-2%		4%	
<b>CORE BANK TOTAL</b>												
Net Interest Income	12,451	11,485	11,071	-4%	10,996	-1%	11,448	4%	9,633	-16%	9,174	-5%
Non-interest income	12,261	10,965	10,726	-2%	8,972	-16%	8,947	0%	7,852	-12%	7,815	0%
<b>Total Income</b>	<b>25,091</b>	<b>22,450</b>	<b>21,797</b>	<b>-3%</b>	<b>19,967</b>	<b>-8%</b>	<b>20,395</b>	<b>2%</b>	<b>17,485</b>	<b>-14%</b>	<b>16,988</b>	<b>-3%</b>
Total Expenses	-14,454	-13,570	-12,910	-5%	-12,491	-3%	-11,805	-5%	-9,435	-20%	-9,312	-1%
<b>Operating Profit</b>	<b>10,637</b>	<b>8,880</b>	<b>8,887</b>	<b>0%</b>	<b>7,476</b>	<b>-16%</b>	<b>8,590</b>	<b>15%</b>	<b>8,050</b>	<b>-6%</b>	<b>7,676</b>	<b>-5%</b>
Impairment losses	-3,894	-3,522	-3,056	-13%	-4,211	38%	-1,912	-55%	-1,633	-15%	-1,577	-3%
<b>Pretax Contribution</b>	<b>6,743</b>	<b>5,358</b>	<b>5,831</b>	<b>9%</b>	<b>3,265</b>	<b>-44%</b>	<b>6,678</b>	<b>105%</b>	<b>6,417</b>	<b>-4%</b>	<b>6,099</b>	<b>-5%</b>
Cost/income	58%	60%	59%		63%		58%		54%		55%	
RoE		<b>9.8%</b>	<b>9.1%</b>		<b>5.3%</b>		<b>10.7%</b>		<b>9.7%</b>		<b>8.4%</b>	
<b>NON-CORE</b>												
Net Interest Income	1,749	828	346	-58%	-7	-102%	0	-100%	0	n.m.	0	n.m.
Fees and commissions	471	54	105	94%	44	-58%	0	-100%	0	n.m.	0	n.m.
Trading income	-31	-721	-654	-9%	95	-115%	100	5%	100	0%	100	0%
Other operating income	565	813	491	-40%	167	-66%	-575	-444%	-225	-61%	-50	-78%
<b>Total Income</b>	<b>2,754</b>	<b>974</b>	<b>288</b>	<b>-70%</b>	<b>300</b>	<b>4%</b>	<b>-475</b>	<b>-258%</b>	<b>-125</b>	<b>-74%</b>	<b>50</b>	<b>-140%</b>
Total Direct Expenses	-1,756	-963	-686	-29%	-406	-41%	-264	-35%	-185	-30%	-139	-25%
Indirect Expenses	-500	-313	-258	-18%	-189	-27%	-123	-35%	-86	-30%	-64	-25%
<b>Total Expenses</b>	<b>-2,256</b>	<b>-1,276</b>	<b>-944</b>	<b>-26%</b>	<b>-595</b>	<b>-37%</b>	<b>-387</b>	<b>-35%</b>	<b>-271</b>	<b>-30%</b>	<b>-203</b>	<b>-25%</b>
General insurance net income	-35	0	0	n.m.	0	n.m.	0	n.m.	0	n.m.	0	n.m.
<b>Operating Profit</b>	<b>463</b>	<b>-302</b>	<b>-656</b>	<b>117%</b>	<b>-295</b>	<b>-55%</b>	<b>-862</b>	<b>192%</b>	<b>-396</b>	<b>-54%</b>	<b>-153</b>	<b>-61%</b>
Impairment losses	-5,476	-3,919	-2,223	-43%	-4,327	95%	-1,184	-73%	-678	-43%	-397	-41%
<b>Pretax Contribution</b>	<b>-5,013</b>	<b>-4,221</b>	<b>-2,879</b>	<b>-32%</b>	<b>-4,622</b>	<b>61%</b>	<b>-2,046</b>	<b>-56%</b>	<b>-1,074</b>	<b>-48%</b>	<b>-550</b>	<b>-49%</b>

Source: Company Reports and Citi Research Estimates; Note: \*Based on 10% CET1 allocation

Figure 130. Royal Bank of Scotland – Divisional Profit and Loss Account 1Q11-4Q13E (£m) (contd)

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13E
<b>INTERNATIONAL BANKING</b>												
Net interest income	303	301	302	293	260	234	227	201	197	177	166	184
Non-interest income	344	364	348	300	282	327	308	283	285	291	288	295
<b>Total income</b>	<b>647</b>	<b>665</b>	<b>650</b>	<b>593</b>	<b>542</b>	<b>561</b>	<b>535</b>	<b>484</b>	<b>482</b>	<b>468</b>	<b>454</b>	<b>479</b>
Total direct expenses	-257	-240	-229	-212	-237	-202	-182	-123	-172	-170	-178	-175
Indirect Expenses	-170	-172	-179	-173	-173	-165	-166	-169	-161	-157	-165	-160
<b>Operating Profit</b>	<b>220</b>	<b>253</b>	<b>242</b>	<b>208</b>	<b>132</b>	<b>194</b>	<b>187</b>	<b>192</b>	<b>149</b>	<b>141</b>	<b>111</b>	<b>144</b>
Impairment losses	6	-104	-14	-56	-35	-27	-12	-37	-55	-99	-28	-25
<b>Pretax Contribution</b>	<b>226</b>	<b>149</b>	<b>228</b>	<b>152</b>	<b>97</b>	<b>167</b>	<b>175</b>	<b>155</b>	<b>94</b>	<b>42</b>	<b>83</b>	<b>119</b>
Total third party assets	76,800	79,700	75,500	69,900	63,700	61,400	58,400	53,000	54,400	51,900	53,300	53,700
Risk Weighted Assets	45,700	46,400	44,100	43,200	41,800	46,000	49,700	51,900	48,900	49,700	43,700	44,028
Reported NIM	1.83%	1.73%	1.71%	1.64%	1.60%	1.65%	1.70%	1.62%	1.74%	1.62%	1.47%	1.47%
Cost/income	66%	62%	63%	65%	76%	65%	65%	60%	69%	70%	76%	70%
Impairment charge / advances (bp)	-4	65	9	39	27	22	10	35	52	99	27	24
RoE*	13%	10%	14%	9%	8%	11%	10%	8%	5%	2%	5%	7%
<b>ULSTER BANK</b>												
Net Interest Income	181	182	196	177	165	160	163	161	154	154	154	154
Fees and commissions	36	37	41	28	38	35	36	36	34	35	35	36
Other non-interest income	15	14	19	21	11	11	14	15	20	53	25	12
<b>Total Income</b>	<b>232</b>	<b>233</b>	<b>256</b>	<b>226</b>	<b>214</b>	<b>206</b>	<b>213</b>	<b>212</b>	<b>208</b>	<b>242</b>	<b>214</b>	<b>202</b>
Total Direct Expenses	-75	-75	-73	-69	-65	-64	-67	-67	-72	-79	-79	-58
Indirect Expenses	-61	-67	-64	-63	-65	-64	-59	-70	-60	-65	-63	-60
<b>Operating Profit</b>	<b>96</b>	<b>91</b>	<b>119</b>	<b>94</b>	<b>84</b>	<b>78</b>	<b>87</b>	<b>75</b>	<b>76</b>	<b>98</b>	<b>72</b>	<b>84</b>
Impairment losses	-461	-269	-327	-327	-394	-323	-329	-318	-240	-263	-204	-1,100
<b>Pretax Contribution</b>	<b>-365</b>	<b>-178</b>	<b>-208</b>	<b>-233</b>	<b>-310</b>	<b>-245</b>	<b>-242</b>	<b>-243</b>	<b>-164</b>	<b>-165</b>	<b>-132</b>	<b>-1,016</b>
Gross Loans To Customers	37,200	37,400	35,500	34,100	33,900	33,000	32,200	32,600	33,100	32,900	31,200	30,732
Risk Weighted Assets	31,700	36,300	34,400	36,300	38,400	37,400	35,100	36,100	36,800	33,900	31,800	31,323
Reported NIM (bps)	1.84%	1.80%	1.96%	1.87%	1.87%	1.82%	1.92%	1.93%	1.85%	1.85%	1.86%	1.93%
Cost/income	59%	61%	54%	58%	61%	62%	59%	65%	63%	60%	66%	58%
Impairment charge / advances (bp)	496	288	368	384	465	392	409	390	290	320	262	1,432
RoE*	-37%	-17%	-18%	-21%	-26%	-20%	-20%	-21%	-14%	-14%	-12%	n/a
<b>CORE BANK TOTAL</b>												
Net Interest Income	2,963	2,871	2,811	2,840	2,808	2,821	2,725	2,717	2,700	2,740	2,761	2,795
Non-interest income	3,644	2,903	2,182	2,236	3,088	2,698	2,783	2,157	2,368	2,434	2,128	2,042
<b>Total Income</b>	<b>6,607</b>	<b>5,774</b>	<b>4,993</b>	<b>5,076</b>	<b>5,896</b>	<b>5,519</b>	<b>5,508</b>	<b>4,874</b>	<b>5,068</b>	<b>5,174</b>	<b>4,889</b>	<b>4,836</b>
Total Expenses	-3,646	-3,426	-3,362	-3,136	-3,536	-3,372	-3,261	-2,741	-3,216	-3,243	-3,083	-2,949
<b>Operating Profit</b>	<b>2,961</b>	<b>2,348</b>	<b>1,631</b>	<b>1,940</b>	<b>2,360</b>	<b>2,147</b>	<b>2,247</b>	<b>2,133</b>	<b>1,852</b>	<b>1,931</b>	<b>1,806</b>	<b>1,887</b>
Impairment losses	-872	-853	-854	-943	-825	-728	-752	-751	-600	-719	-523	-2,369
<b>Pretax Contribution</b>	<b>2,089</b>	<b>1,495</b>	<b>777</b>	<b>997</b>	<b>1,535</b>	<b>1,419</b>	<b>1,495</b>	<b>1,382</b>	<b>1,252</b>	<b>1,212</b>	<b>1,283</b>	<b>-482</b>
Cost/income	55%	59%	67%	62%	60%	61%	59%	56%	63%	63%	63%	61%
<b>NON-CORE</b>												
Net Interest Income	240	264	176	148	115	86	86	59	-28	30	-33	24
Fees and commissions	50	49	-69	24	31	29	17	28	20	18	6	0
Trading income	-298	230	-246	-407	-270	-131	-203	-50	45	134	-109	25
Other operating income	307	327	167	12	393	17	150	-69	56	91	17	3
<b>Total Income</b>	<b>299</b>	<b>870</b>	<b>28</b>	<b>-223</b>	<b>269</b>	<b>1</b>	<b>50</b>	<b>-32</b>	<b>93</b>	<b>273</b>	<b>-119</b>	<b>53</b>
Total Direct Expenses	-240	-259	-237	-227	-197	-197	-144	-148	-116	-105	-97	-88
Indirect Expenses	-75	-71	-84	-83	-66	-65	-68	-59	-49	-51	-48	-41
<b>Total Expenses</b>	<b>-315</b>	<b>-330</b>	<b>-321</b>	<b>-310</b>	<b>-263</b>	<b>-262</b>	<b>-212</b>	<b>-207</b>	<b>-165</b>	<b>-156</b>	<b>-145</b>	<b>-129</b>
General insurance net income	0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Profit</b>	<b>-16</b>	<b>540</b>	<b>-293</b>	<b>-533</b>	<b>6</b>	<b>-261</b>	<b>-162</b>	<b>-239</b>	<b>-72</b>	<b>117</b>	<b>-264</b>	<b>-76</b>
Impairment losses	-1,075	-1,411	-682	-749	-489	-607	-424	-703	-433	-398	-581	-2,915
<b>Pretax Contribution</b>	<b>-1,091</b>	<b>-871</b>	<b>-975</b>	<b>-1,282</b>	<b>-483</b>	<b>-868</b>	<b>-586</b>	<b>-942</b>	<b>-505</b>	<b>-281</b>	<b>-845</b>	<b>-2,991</b>

Source: Company Reports and Citi Research Estimates; Note: \*Based on 10% CET1 allocation



## Standard Chartered

Figure 131. Standard Chartered – Group Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Net Interest Income</b>	8,470	10,153	10,781	6%	11,254	4%	11,874	6%	12,926	9%	14,083	9%
Fee Income	4,238	4,046	4,079	1%	4,220	3%	4,488	6%	4,848	8%	5,238	8%
Trading Income	2,577	2,644	2,739	4%	2,922	7%	3,086	6%	3,332	8%	3,599	8%
Other	777	794	1,184	49%	768	-35%	676	-12%	687	2%	692	1%
<b>Total Income</b>	<b>16,062</b>	<b>17,637</b>	<b>18,783</b>	<b>6%</b>	<b>19,163</b>	<b>2%</b>	<b>20,123</b>	<b>5%</b>	<b>21,793</b>	<b>8%</b>	<b>23,612</b>	<b>8%</b>
Staff Costs	-5,765	-6,630	-6,492	-2%	-6,838	5%	-7,180	5%	-7,611	6%	-8,067	6%
Premises and Equipment	-800	-862	-863	0%	-866	0%	-909	5%	-964	6%	-1,022	6%
Other Costs	-1,899	-1,804	-2,040	13%	-2,035	0%	-2,137	5%	-2,265	6%	-2,401	6%
Depreciation and other	-559	-621	-660	6%	-618	-6%	-455	-26%	-463	2%	-478	3%
<b>Total Operating Expenses</b>	<b>-9,023</b>	<b>-9,917</b>	<b>-10,055</b>	<b>1%</b>	<b>-10,357</b>	<b>3%</b>	<b>-10,681</b>	<b>3%</b>	<b>-11,303</b>	<b>6%</b>	<b>-11,968</b>	<b>6%</b>
<b>Operating Profit</b>	<b>7,039</b>	<b>7,720</b>	<b>8,728</b>	<b>13%</b>	<b>8,806</b>	<b>1%</b>	<b>9,442</b>	<b>7%</b>	<b>10,490</b>	<b>11%</b>	<b>11,644</b>	<b>11%</b>
Prov. Loan loss (net)	-883	-899	-1,196	33%	-1,591	33%	-1,746	10%	-1,858	6%	-2,046	10%
Other	-76	-110	-682	NM	122	NM	114	-6%	129	13%	143	11%
Exceptionals	0	0	0		0		0		0		0	
Equity Method	42	74	1	-99%	0	NM	0	NM	0	NM	0	NM
<b>Pre-tax Profit</b>	<b>6,122</b>	<b>6,785</b>	<b>6,851</b>	<b>1%</b>	<b>7,337</b>	<b>7%</b>	<b>7,810</b>	<b>6%</b>	<b>8,762</b>	<b>12%</b>	<b>9,741</b>	<b>11%</b>
Income Tax	-1,708	-1,842	-1,866	1%	-1,932	4%	-2,109	9%	-2,366	12%	-2,630	11%
Minorities	-82	-84	-98	17%	-112	14%	-119	6%	-133	12%	-148	11%
Pref Shares distributions	-101	-101	-101	0%	-105	4%	-110	5%	-110	0%	-110	0%
<b>Attributable Profit</b>	<b>4,231</b>	<b>4,758</b>	<b>4,786</b>	<b>1%</b>	<b>5,188</b>	<b>8%</b>	<b>5,473</b>	<b>5%</b>	<b>6,153</b>	<b>12%</b>	<b>6,853</b>	<b>11%</b>
<b>Per share data</b>												
<b>EPS</b>	<b>196.3c</b>	<b>201.1c</b>	<b>199.5c</b>	<b>-1%</b>	<b>214.0c</b>	<b>7%</b>	<b>223.5c</b>	<b>4%</b>	<b>248.6c</b>	<b>11%</b>	<b>273.8c</b>	<b>10%</b>
<b>Adj EPS</b>	<b>193.0c</b>	<b>198.5c</b>	<b>197.5c</b>	<b>0%</b>	<b>212.0c</b>	<b>7%</b>	<b>221.5c</b>	<b>4%</b>	<b>246.4c</b>	<b>11%</b>	<b>271.3c</b>	<b>10%</b>
Dividend	69.2c	76.0c	84.0c	11%	89.9c	7%	96.1c	7%	104.4c	9%	115.0c	10%
Payout Ratio	35%	38%	42%		42%		43%		42%		42%	
BVPS	1,627.4c	1,707.8c	1,879.9c	10%	1,881.5c	0%	2,018.0c	7%	2,170.4c	8%	2,336.3c	8%
Tangible BVPS	1,330.2c	1,411.6c	1,577.3c	12%	1,631.1c	3%	1,770.1c	9%	1,925.3c	9%	2,094.1c	9%
Number of shares (avg)	2,155.3c	2,366.0c	2,398.5c	1%	2,424.5c	1%	2,448.4c	1%	2,474.5c	1%	2,503.4c	1%
<b>Operating Ratios</b>												
<b>ROE</b>	<b>12.9%</b>	<b>12.1%</b>	<b>11.1%</b>		<b>11.4%</b>		<b>11.5%</b>		<b>11.9%</b>		<b>12.1%</b>	
Net Interest margin (NII/ ATA)	1.78%	1.83%	1.76%		1.73%		1.69%		1.67%		1.66%	
Provision charge / gross customer loans	40	35	44		55		55		54		53	
Cost / income ratio	56%	56%	54%		54%		53%		52%		51%	
Return on Avg Assets	0.89%	0.86%	0.78%		0.80%		0.78%		0.80%		0.81%	
Tangible Equity/ Assets	6.0%	5.7%	6.0%		5.9%		5.9%		5.9%		5.9%	
<b>Balance Sheet Summary</b>												
Total assets	516,542	592,686	631,208	8%	669,456	6%	736,401	10%	810,041	10%	891,046	10%
<b>Customer advances</b>	<b>240,358</b>	<b>266,790</b>	<b>279,638</b>	<b>5%</b>	<b>301,047</b>	<b>8%</b>	<b>329,888</b>	<b>10%</b>	<b>364,249</b>	<b>10%</b>	<b>402,568</b>	<b>11%</b>
Customer deposits	306,992	345,726	372,874	8%	385,749	3%	423,913	10%	465,906	10%	512,128	10%
Loan to deposit ratio	78%	77%	75%		78%		78%		78%		79%	
<b>Shareholders Equity</b>	<b>38,212</b>	<b>40,714</b>	<b>45,362</b>	<b>11%</b>	<b>45,835</b>	<b>1%</b>	<b>49,660</b>	<b>8%</b>	<b>54,004</b>	<b>9%</b>	<b>58,842</b>	<b>9%</b>
Coverage	58%	64%	56%		58%		60%		65%		70%	
NPL Ratio	1.9%	1.6%	2.0%		2.1%		2.3%		2.3%		2.3%	
<b>RWA's Basel II from FY07</b>	<b>245,077</b>	<b>270,510</b>	<b>301,861</b>	<b>12%</b>	<b>336,727</b>	<b>12%</b>	<b>368,985</b>	<b>10%</b>	<b>407,419</b>	<b>10%</b>	<b>450,279</b>	<b>11%</b>
<b>Equity Tier 1 Ratio</b>	<b>11.8%</b>	<b>11.8%</b>	<b>11.7%</b>		<b>11.2%</b>		<b>11.3%</b>		<b>11.3%</b>		<b>11.3%</b>	
<b>Tier 1 Ratio</b>	<b>14.0%</b>	<b>13.7%</b>	<b>13.4%</b>		<b>12.8%</b>		<b>12.7%</b>		<b>12.6%</b>		<b>12.4%</b>	
<b>Total Capital Ratio</b>	<b>18.4%</b>	<b>17.6%</b>	<b>17.5%</b>		<b>16.5%</b>		<b>16.4%</b>		<b>16.3%</b>		<b>16.1%</b>	

Source: Company Reports and Citi Research Estimates

Figure 132. Standard Chartered – Group Profit and Loss Account, 1H10-2H14E (US Dollars in Millions)

	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13E	1H14E	2H14E
<b>Net Interest Income</b>	4,155	4,315	4,941	5,212	5,374	5,407	5,598	5,656	5,905	5,969
Fee Income	2,148	2,090	2,179	1,867	1,953	2,126	2,095	2,125	2,227	2,261
Trading Income	1,351	1,226	1,366	1,278	1,560	1,179	1,685	1,237	1,772	1,314
Other	270	507	278	516	484	700	610	158	385	291
<b>Total Income</b>	<b>7,924</b>	<b>8,138</b>	<b>8,764</b>	<b>8,873</b>	<b>9,371</b>	<b>9,412</b>	<b>9,988</b>	<b>9,175</b>	<b>10,289</b>	<b>9,834</b>
Staff Costs	-2,808	-2,957	-3,224	-3,406	-3,306	-3,186	-3,397	-3,441	-3,567	-3,613
Premises and Equipment	-381	-419	-422	-440	-413	-450	-426	-440	-447	-462
Other Costs	-884	-1,015	-731	-1,073	-841	-1,199	-860	-1,175	-903	-1,234
Depreciation and other	-257	-302	-300	-321	-319	-341	-351	-267	-304	-151
<b>Total Operating Expenses</b>	<b>-4,330</b>	<b>-4,693</b>	<b>-4,677</b>	<b>-5,240</b>	<b>-4,879</b>	<b>-5,176</b>	<b>-5,034</b>	<b>-5,323</b>	<b>-5,221</b>	<b>-5,460</b>
<b>Operating Profit</b>	<b>3,594</b>	<b>3,445</b>	<b>4,087</b>	<b>3,633</b>	<b>4,492</b>	<b>4,236</b>	<b>4,954</b>	<b>3,852</b>	<b>5,068</b>	<b>4,374</b>
Prov. Loan loss (net)	-437	-446	-412	-487	-575	-621	-730	-861	-803	-944
Other	-50	-26	-72	-38	19	-701	101	19	98	16
Exceptionals	0	0	0	0	0	0	0	0	0	0
Equity Method	23	19	33	41	57	-56	0	0	0	0
<b>Pre-tax Profit</b>	<b>3,130</b>	<b>2,992</b>	<b>3,636</b>	<b>3,149</b>	<b>3,993</b>	<b>2,858</b>	<b>4,325</b>	<b>3,010</b>	<b>4,363</b>	<b>3,447</b>
Income Tax	-935	-773	-1,032	-810	-1,036	-830	-1,089	-843	-1,178	-931
Minorities	-33	-49	-38	-46	-44	-54	-55	-57	-55	-63
Pref Shares distributions	-50	-51	-50	-51	-50	-51	-50	-55	-55	-55
<b>Attributable Profit</b>	<b>2,112</b>	<b>2,119</b>	<b>2,516</b>	<b>2,242</b>	<b>2,863</b>	<b>1,923</b>	<b>3,131</b>	<b>2,055</b>	<b>3,074</b>	<b>2,398</b>
<b>Per share data</b>										
EPS	99.4c	95.6c	106.5c	94.2c	119.9c	80.2c	129.5c	84.7c	126.0c	97.7c
Adj EPS	97.9c	94.0c	105.1c	92.9c	118.8c	79.3c	128.3c	83.9c	124.9c	96.8c
Dividend	23.4c	45.8c	24.8c	51.3c	27.2c	56.8c	28.8c	61.1c	54.2c	42.0c
Payout Ratio	24%	48%	23%	54%	23%	71%	22%	62%	43%	43%
BVPS	1,369.0c	1,627.4c	1,720.6c	1,707.8c	1,768.6c	1,879.9c	1,846.9c	1,883.3c	1,961.7c	2,019.9c
Tangible BVPS	1,066.3c	1,330.2c	1,409.7c	1,411.6c	1,473.6c	1,577.3c	1,595.2c	1,632.7c	1,712.9c	1,771.8c
Number of shares (avg)	2,125.8c	2,217.2c	2,363.5c	2,380.7c	2,388.0c	2,399.0c	2,418.5c	2,427.2c	2,439.6c	2,453.7c
<b>Operating Ratios</b>										
ROE	14.9%	12.5%	12.7%	11.0%	13.8%	8.8%	13.9%	9.1%	13.1%	9.8%
Net Interest margin (NII/ ATA)	1.81%	1.73%	1.82%	1.80%	1.78%	1.74%	1.75%	1.71%	1.72%	1.66%
Provision charge / gross customer loans	-42	-39	-33	-37	-43	-45	-52	-59	-52	-59
Cost / income ratio	55%	58%	53%	59%	52%	55%	50%	58%	51%	56%
Return on Avg Assets	0.92%	0.85%	0.93%	0.77%	0.95%	0.62%	0.98%	0.62%	0.90%	0.67%
Tangible Equity/ Assets	4.8%	6.0%	5.9%	5.7%	5.7%	6.0%	5.9%	5.9%	6.0%	5.9%
<b>Balance Sheet Summary</b>										
Total assets	480,827	516,542	567,706	592,686	613,556	631,208	649,957	669,456	702,928	736,401
<b>Customer advances</b>	<b>215,005</b>	<b>240,358</b>	<b>262,126</b>	<b>266,790</b>	<b>272,453</b>	<b>279,638</b>	<b>285,353</b>	<b>301,047</b>	<b>314,006</b>	<b>329,888</b>
Customer deposits	279,089	306,992	333,485	345,726	350,248	372,874	371,314	385,749	407,603	423,913
Loan to deposit ratio	77%	78%	79%	77%	78%	75%	77%	78%	77%	78%
<b>Shareholders Equity</b>	<b>29,458</b>	<b>38,212</b>	<b>40,933</b>	<b>40,714</b>	<b>42,305</b>	<b>45,362</b>	<b>44,768</b>	<b>45,835</b>	<b>48,088</b>	<b>49,660</b>
Coverage	63%	58%	61%	64%	56%	56%	56%	58%	59%	60%
NPL Ratio	2.0%	1.9%	1.7%	1.6%	1.9%	2.0%	2.0%	2.1%	2.2%	2.3%
<b>RWA's Basel II from FY07</b>	<b>234,184</b>	<b>245,077</b>	<b>262,289</b>	<b>270,510</b>	<b>286,318</b>	<b>301,861</b>	<b>323,776</b>	<b>336,727</b>	<b>352,856</b>	<b>368,985</b>
<b>Equity Tier 1 Ratio</b>	<b>8.9%</b>	<b>11.8%</b>	<b>11.8%</b>	<b>11.8%</b>	<b>11.6%</b>	<b>11.7%</b>	<b>11.4%</b>	<b>11.2%</b>	<b>11.4%</b>	<b>11.3%</b>
Tier 1 Ratio	11.2%	14.0%	13.9%	13.7%	13.4%	13.4%	13.0%	12.8%	12.8%	12.7%
Total Capital Ratio	15.5%	18.4%	17.9%	17.6%	16.9%	17.5%	16.9%	16.5%	16.6%	16.4%

Source: Company Reports and Citi Research Estimates

Figure 133. Standard Chartered – Geographic Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Hong Kong</b>												
NII + internal income	1,234	1,602	1,675	5%	1,812	8%	1,975	9%	2,212	12%	2,478	12%
<b>Total Income</b>	<b>2,500</b>	<b>3,049</b>	<b>3,348</b>	<b>10%</b>	<b>3,771</b>	<b>13%</b>	<b>4,144</b>	<b>10%</b>	<b>4,541</b>	<b>10%</b>	<b>4,977</b>	<b>10%</b>
Costs	-1,355	-1,395	-1,572	13%	-1,626	3%	-1,724	6%	-1,845	7%	-1,974	7%
<b>Operating Profit</b>	<b>1,145</b>	<b>1,654</b>	<b>1,776</b>	<b>7%</b>	<b>2,145</b>	<b>21%</b>	<b>2,419</b>	<b>13%</b>	<b>2,696</b>	<b>11%</b>	<b>3,003</b>	<b>11%</b>
Bad Debts	-43	-103	-109	6%	-145	33%	-175	21%	-211	21%	-254	21%
Other	1	0	-7		0		-2		0		0	
<b>Trading Profit</b>	<b>1,103</b>	<b>1,551</b>	<b>1,660</b>	<b>7%</b>	<b>2,000</b>	<b>20%</b>	<b>2,242</b>	<b>12%</b>	<b>2,485</b>	<b>11%</b>	<b>2,749</b>	<b>11%</b>
Consumer Bank	24,796	27,554	31,324	14%	33,955	8%	36,035	6%	39,146	9%	42,530	9%
Wholesale Bank	18,781	23,432	21,515	-8%	25,094	17%	28,105	12%	31,478	12%	35,255	12%
<b>Total Loans</b>	<b>43,516</b>	<b>50,914</b>	<b>52,765</b>	<b>4%</b>	<b>58,970</b>	<b>12%</b>	<b>64,061</b>	<b>9%</b>	<b>70,545</b>	<b>10%</b>	<b>77,706</b>	<b>10%</b>
Cost/ income ratio	54%	46%	47%		43%		42%		41%		40%	
<b>Singapore</b>												
NII + internal income	860	977	1,144	17%	1,077	-6%	1,131	5%	1,267	12%	1,419	12%
<b>Total Income</b>	<b>1,738</b>	<b>2,186</b>	<b>2,203</b>	<b>1%</b>	<b>2,192</b>	<b>0%</b>	<b>2,242</b>	<b>2%</b>	<b>2,432</b>	<b>8%</b>	<b>2,638</b>	<b>8%</b>
Costs	-986	-1,105	-1,169	6%	-1,204	3%	-1,246	3%	-1,333	7%	-1,426	7%
<b>Operating Profit</b>	<b>752</b>	<b>1,081</b>	<b>1,034</b>	<b>-4%</b>	<b>988</b>	<b>-4%</b>	<b>997</b>	<b>1%</b>	<b>1,099</b>	<b>10%</b>	<b>1,212</b>	<b>10%</b>
Bad Debts	-33	-48	-66	38%	-90	36%	-109	21%	-131	21%	-158	21%
Other	-1	-31	-2		10		-5		-5		-5	
<b>Trading Profit</b>	<b>718</b>	<b>1,002</b>	<b>966</b>	<b>-4%</b>	<b>908</b>	<b>-6%</b>	<b>883</b>	<b>-3%</b>	<b>963</b>	<b>9%</b>	<b>1,049</b>	<b>9%</b>
Consumer Bank	19,939	24,014	27,567	15%	28,579	4%	30,865	8%	33,334	8%	36,001	8%
Wholesale Bank	19,441	24,815	28,321	14%	35,716	26%	40,002	12%	44,802	12%	50,178	12%
<b>Loans</b>	<b>39,339</b>	<b>48,788</b>	<b>55,841</b>	<b>14%</b>	<b>64,238</b>	<b>15%</b>	<b>70,810</b>	<b>10%</b>	<b>78,079</b>	<b>10%</b>	<b>86,122</b>	<b>10%</b>
Cost/ income ratio	57%	51%	53%		55%		56%		55%		54%	
<b>Other Asia Pacific</b>												
NII + internal income	1,897	2,188	2,261	3%	2,428	7%	2,598	7%	2,806	8%	3,030	8%
<b>Total Income</b>	<b>3,165</b>	<b>3,511</b>	<b>3,672</b>	<b>5%</b>	<b>3,495</b>	<b>-5%</b>	<b>3,738</b>	<b>7%</b>	<b>4,037</b>	<b>8%</b>	<b>4,360</b>	<b>8%</b>
Costs	-1,970	-2,065	-2,258	9%	-2,119	-6%	-2,255	6%	-2,401	6%	-2,555	6%
<b>Operating Profit</b>	<b>1,195</b>	<b>1,446</b>	<b>1,414</b>	<b>-2%</b>	<b>1,376</b>	<b>-3%</b>	<b>1,483</b>	<b>8%</b>	<b>1,636</b>	<b>10%</b>	<b>1,805</b>	<b>10%</b>
Bad Debts	-152	-135	-221	64%	-389	76%	-485	25%	-609	26%	-772	27%
Other	-2	31	24		150		161		174		188	
<b>Trading Profit</b>	<b>1,083</b>	<b>1,415</b>	<b>1,217</b>	<b>-14%</b>	<b>1,137</b>	<b>-7%</b>	<b>1,159</b>	<b>2%</b>	<b>1,201</b>	<b>4%</b>	<b>1,221</b>	<b>2%</b>
Consumer Bank	25,651	27,913	26,702	-4%	26,751	0%	29,709	11%	33,005	11%	36,679	11%
Wholesale Bank	22,515	23,890	22,526	-6%	27,149	21%	31,221	15%	35,905	15%	41,290	15%
<b>Loans</b>	<b>47,967</b>	<b>51,619</b>	<b>49,062</b>	<b>-5%</b>	<b>53,633</b>	<b>9%</b>	<b>60,663</b>	<b>13%</b>	<b>68,643</b>	<b>13%</b>	<b>77,703</b>	<b>13%</b>
Cost/ income ratio	62%	59%	61%		61%		60%		59%		59%	
<b>Korea</b>												
NII + internal income	1,109	1,364	1,336	-2%	1,233	-8%	1,171	-5%	1,195	2%	1,219	2%
<b>Total Income</b>	<b>1,698</b>	<b>1,718</b>	<b>1,852</b>	<b>8%</b>	<b>1,640</b>	<b>-11%</b>	<b>1,551</b>	<b>-5%</b>	<b>1,588</b>	<b>2%</b>	<b>1,626</b>	<b>2%</b>
Costs	-1,080	-1,335	-1,081	-19%	-1,142	6%	-995	-13%	-1,001	1%	-1,007	1%
<b>Operating Profit</b>	<b>618</b>	<b>383</b>	<b>771</b>	<b>101%</b>	<b>496</b>	<b>-36%</b>	<b>556</b>	<b>12%</b>	<b>587</b>	<b>6%</b>	<b>620</b>	<b>6%</b>
Bad Debts	-226	-198	-249	26%	-389	56%	-379	-3%	-301	-21%	-243	-19%
Other	-4	-13	-8		-19		-19		-19		-19	
<b>Trading Profit</b>	<b>388</b>	<b>172</b>	<b>514</b>	<b>199%</b>	<b>88</b>	<b>-83%</b>	<b>157</b>	<b>79%</b>	<b>268</b>	<b>70%</b>	<b>358</b>	<b>34%</b>
Consumer Bank	33,178	31,546	28,587	-9%	25,150	-12%	24,604	-2%	25,096	2%	25,597	2%
Wholesale Bank	7,007	6,646	7,710	16%	7,120	-8%	7,476	5%	7,849	5%	8,242	5%
<b>Loans</b>	<b>40,071</b>	<b>38,066</b>	<b>36,165</b>	<b>-5%</b>	<b>32,144</b>	<b>-11%</b>	<b>31,953</b>	<b>-1%</b>	<b>32,819</b>	<b>3%</b>	<b>33,713</b>	<b>3%</b>
Cost/ income ratio	64%	78%	58%		70%		64%		63%		62%	
<b>UK and AMERICAS</b>												
NII + internal income	508	995	1,112	12%	1,182	6%	1,229	4%	1,303	6%	1,381	6%
<b>Total Income</b>	<b>1,520</b>	<b>1,767</b>	<b>2,296</b>	<b>30%</b>	<b>2,272</b>	<b>-1%</b>	<b>2,226</b>	<b>-2%</b>	<b>2,360</b>	<b>6%</b>	<b>2,501</b>	<b>6%</b>
Costs	-1,235	-1,389	-1,338	-4%	-1,582	18%	-1,609	2%	-1,648	2%	-1,689	2%
<b>Operating Profit</b>	<b>285</b>	<b>378</b>	<b>958</b>	<b>153%</b>	<b>690</b>	<b>-28%</b>	<b>617</b>	<b>-11%</b>	<b>711</b>	<b>15%</b>	<b>812</b>	<b>14%</b>
Bad Debts	-24	-2	-32	1500%	-52	63%	-55	6%	-58	6%	-62	6%
Other	-28	-8	-666		-9		-9		-9		-9	
<b>Trading Profit</b>	<b>233</b>	<b>369</b>	<b>261</b>	<b>-29%</b>	<b>629</b>	<b>141%</b>	<b>553</b>	<b>-12%</b>	<b>644</b>	<b>16%</b>	<b>742</b>	<b>15%</b>
Consumer Bank	3,040	3,437	3,919	14%	4,860	24%	5,345	10%	5,880	10%	6,467	10%
Wholesale Bank	38,398	42,139	47,023	12%	49,937	6%	54,931	10%	60,424	10%	66,466	10%
<b>Loans</b>	<b>41,393</b>	<b>45,510</b>	<b>50,879</b>	<b>12%</b>	<b>54,731</b>	<b>8%</b>	<b>60,211</b>	<b>10%</b>	<b>66,238</b>	<b>10%</b>	<b>72,868</b>	<b>10%</b>
Cost/ income ratio	81%	79%	58%		70%		72%		70%		68%	

Source: Company Reports and Citi Research Estimates

Figure 134. Standard Chartered – Geographic Profit and Loss Account, 2010-16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Africa</b>												
NII + internal income	599	845	977	16%	1,127	15%	1,262	12%	1,414	12%	1,583	12%
<b>Total Income</b>	<b>1,246</b>	<b>1,382</b>	<b>1,593</b>	<b>15%</b>	<b>1,748</b>	<b>10%</b>	<b>1,958</b>	<b>12%</b>	<b>2,194</b>	<b>12%</b>	<b>2,458</b>	<b>12%</b>
Costs	-653	-714	-784	10%	-856	9%	-942	10%	-1,036	10%	-1,139	10%
<b>Operating Profit</b>	<b>593</b>	<b>668</b>	<b>809</b>	<b>21%</b>	<b>892</b>	<b>10%</b>	<b>1,016</b>	<b>14%</b>	<b>1,158</b>	<b>14%</b>	<b>1,319</b>	<b>14%</b>
Bad Debts	-24	-24	-38	58%	-117	207%	-124	6%	-136	10%	-149	10%
Other	-10	-16	0		-9		-11		-11		-11	
<b>Trading Profit</b>	<b>559</b>	<b>628</b>	<b>771</b>	<b>23%</b>	<b>766</b>	<b>-1%</b>	<b>882</b>	<b>15%</b>	<b>1,011</b>	<b>15%</b>	<b>1,158</b>	<b>15%</b>
Consumer Bank	1,100	1,341	1,710	28%	1,986	16%	2,270	14%	2,594	14%	2,966	14%
Wholesale Bank	3,815	6,002	6,327	5%	6,853	8%	8,224	20%	9,868	20%	11,842	20%
<b>Loans</b>	<b>4,876</b>	<b>7,294</b>	<b>7,974</b>	<b>9%</b>	<b>8,798</b>	<b>10%</b>	<b>10,452</b>	<b>19%</b>	<b>12,422</b>	<b>19%</b>	<b>14,767</b>	<b>19%</b>
Cost/ income ratio	52%	52%	49%		49%		48%		47%		46%	
<b>India</b>												
NII + internal income	1,116	985	1,049	6%	1,135	8%	1,146	1%	1,261	10%	1,387	10%
<b>Total Income</b>	<b>2,028</b>	<b>1,805</b>	<b>1,585</b>	<b>-12%</b>	<b>1,742</b>	<b>10%</b>	<b>1,777</b>	<b>2%</b>	<b>1,955</b>	<b>10%</b>	<b>2,151</b>	<b>10%</b>
Costs	-749	-829	-753	-9%	-719	-5%	-735	2%	-793	8%	-857	8%
<b>Operating Profit</b>	<b>1,279</b>	<b>976</b>	<b>832</b>	<b>-15%</b>	<b>1,023</b>	<b>23%</b>	<b>1,043</b>	<b>2%</b>	<b>1,162</b>	<b>11%</b>	<b>1,294</b>	<b>11%</b>
Bad Debts	-79	-112	-165	47%	-234	42%	-239	2%	-224	-6%	-212	-5%
Other	-3	-60	9		0		0		0		0	
<b>Trading Profit</b>	<b>1,197</b>	<b>804</b>	<b>676</b>	<b>-16%</b>	<b>789</b>	<b>17%</b>	<b>804</b>	<b>2%</b>	<b>938</b>	<b>17%</b>	<b>1,082</b>	<b>15%</b>
Consumer Bank	4,947	4,830	5,190	7%	5,395	4%	6,047	12%	6,782	12%	7,609	12%
Wholesale Bank	6,400	6,407	6,827	7%	7,168	5%	8,029	12%	9,233	15%	10,618	15%
<b>Loans</b>	<b>11,293</b>	<b>11,153</b>	<b>11,978</b>	<b>7%</b>	<b>12,484</b>	<b>4%</b>	<b>13,997</b>	<b>12%</b>	<b>15,936</b>	<b>14%</b>	<b>18,148</b>	<b>14%</b>
Cost/ income ratio	37%	46%	48%		41%		41%		41%		40%	
<b>Middle East and Other S.Asia</b>												
NII + internal income	1,147	1,197	1,227	3%	1,260	3%	1,360	8%	1,469	8%	1,587	8%
<b>Total Income</b>	<b>2,167</b>	<b>2,219</b>	<b>2,234</b>	<b>1%</b>	<b>2,303</b>	<b>3%</b>	<b>2,487</b>	<b>8%</b>	<b>2,686</b>	<b>8%</b>	<b>2,901</b>	<b>8%</b>
Costs	-995	-1,085	-1,100	1%	-1,109	1%	-1,176	6%	-1,246	6%	-1,321	6%
<b>Operating Profit</b>	<b>1,172</b>	<b>1,134</b>	<b>1,134</b>	<b>0%</b>	<b>1,194</b>	<b>5%</b>	<b>1,312</b>	<b>10%</b>	<b>1,440</b>	<b>10%</b>	<b>1,580</b>	<b>10%</b>
Bad Debts	-302	-277	-316	14%	-175	-45%	-181	4%	-188	4%	-196	4%
Other	-29	-13	-32		-1		-1		-1		-1	
<b>Trading Profit</b>	<b>841</b>	<b>844</b>	<b>786</b>	<b>-7%</b>	<b>1,018</b>	<b>30%</b>	<b>1,129</b>	<b>11%</b>	<b>1,251</b>	<b>11%</b>	<b>1,383</b>	<b>11%</b>
Consumer Bank	4,499	4,615	5,418	17%	6,307	16%	6,811	8%	7,356	8%	7,944	8%
Wholesale Bank	13,657	13,957	14,672	5%	14,837	1%	16,024	8%	17,305	8%	18,690	8%
<b>Loans</b>	<b>17,949</b>	<b>18,434</b>	<b>19,952</b>	<b>8%</b>	<b>21,026</b>	<b>5%</b>	<b>22,718</b>	<b>8%</b>	<b>24,545</b>	<b>8%</b>	<b>26,518</b>	<b>8%</b>
Cost/ income ratio	46%	49%	49%		48%		47%		46%		46%	

Source: Company Reports and Citi Research Estimates

Figure 135. Standard Chartered – Consumer Bank, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>GROUP TOTAL</b>												
Total Revenues	6,079	6,791	7,021	3%	7,243	3%	7,624	5%	8,237	8%	8,904	8%
Operating Costs	-4,176	-4,605	-4,596	0%	-4,703	2%	-4,776	2%	-5,052	6%	-5,346	6%
Pre-Provision Profit	1,903	2,186	2,425	11%	2,540	5%	2,848	12%	3,185	12%	3,557	12%
Bad Debts	-578	-515	-674	31%	-1,026	52%	-1,130	10%	-1,192	5%	-1,301	9%
Other	-12	-12	-2		23		23		23		23	
Trading Profit	1,313	1,659	1,749	5%	1,537	-12%	1,741	13%	2,017	16%	2,279	13%
Cost/Income	69%	68%	65%		65%		63%		61%		60%	
<b>HONG KONG</b>												
Total Revenues	1,116	1,326	1,410	6%	1,555	10%	1,664	7%	1,814	9%	1,977	9%
Operating Costs	-721	-702	-771	10%	-769	0%	-807	5%	-864	7%	-924	7%
Pre-Provision Profit	395	624	639	2%	786	23%	856	9%	950	11%	1,052	11%
Bad Debts	-45	-71	-95	34%	-130	37%	-156	20%	-187	20%	-225	20%
Others	0	0	0		0		0		0		0	
Trading Profit	350	553	544	-2%	656	21%	700	7%	762	9%	828	9%
Cost/Income	65%	53%	55%		49%		49%		48%		47%	
<b>SINGAPORE</b>												
Total Revenues	728	924	974	5%	973	0%	1,041	7%	1,135	9%	1,237	9%
Operating Costs	-384	-503	-553	10%	-581	2%	-610	5%	-653	7%	-698	7%
Pre-Provision Profit	344	421	421	0%	392	-7%	431	10%	482	12%	538	12%
Bad Debts	-33	-29	-62	114%	-79	27%	-95	20%	-114	20%	-137	20%
Others	0	0	0		0		0		0		0	
Trading Profit	311	392	359	-8%	313	-13%	336	7%	368	10%	402	9%
Cost/Income	53%	54%	57%		60%		59%		58%		56%	
<b>OTHER ASIA PACIFIC (EX KOREA)</b>												
Total Revenues	1,478	1,613	1,596	-1%	1,696	6%	1,832	8%	1,978	8%	2,136	8%
Operating Costs	-1,085	-1,104	-1,209	10%	-1,195	-1%	-1,267	6%	-1,343	6%	-1,423	6%
Pre-Provision Profit	393	509	387	-24%	501	29%	565	13%	636	12%	713	12%
Bad Debts	-122	-117	-186	59%	-328	76%	-394	20%	-472	20%	-567	20%
Others	-1	0	7		36		36		36		36	
Trading Profit	270	392	208	-47%	209	0%	207	-1%	199	-4%	182	-8%
Cost/Income	73%	68%	76%		70%		69%		68%		67%	
<b>KOREA</b>												
Total Revenues	1,058	1,153	1,183	3%	1,008	-15%	908	-10%	926	2%	945	2%
Operating Costs	-797	-1,023	-795	-22%	-856	8%	-706	-18%	-706	0%	-706	0%
Pre-Provision Profit	261	130	388	198%	152	-61%	202	33%	220	9%	239	8%
Bad Debts	-139	-166	-223	34%	-351	57%	-333	-5%	-250	-25%	-188	-25%
Others	-4	-5	-1		0		0		0		0	
Trading Profit	118	-41	164 NM		-199	-221%	-131	-34%	-30	-77%	51	-271%
Cost/Income	75%	89%	67%		85%		78%		76%		75%	
<b>INDIA</b>												
Total Revenues	493	482	440	-9%	485	10%	514	6%	566	10%	622	10%
Operating Costs	-336	-352	-318	-10%	-314	-1%	-330	5%	-356	8%	-385	8%
Pre-Provision Profit	157	130	122	-6%	171	40%	184	8%	209	14%	237	13%
Bad Debts	-56	-32	-27	-16%	-31	15%	-36	15%	-41	15%	-47	15%
Others	0	0	0		0		0		0		0	
Trading Profit	101	98	95	-3%	140	47%	149	6%	168	13%	190	13%
Cost/Income	68%	73%	72%		65%		64%		63%		62%	

Source: Company Reports and Citi Research Estimates

Figure 136. Standard Chartered – Consumer Bank, 2010–16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>MESA</b>												
Total Revenues	691	723	753	4%	823	9%	889	8%	960	8%	1,037	8%
Operating Costs	-458	-487	-493	1%	-511	4%	-542	6%	-574	6%	-609	6%
Pre-Provision Profit	233	236	260	10%	312	20%	347	11%	386	11%	428	11%
Bad Debts	-159	-80	-51	-36%	-64	25%	-70	10%	-77	10%	-85	10%
Others	0	-1	0		-1		-1		-1		-1	
Trading Profit	74	155	209	NM	247	18%	276	12%	307	11%	342	11%
Cost/Income	66%	67%	65%		62%		61%		60%		59%	
<b>AFRICA</b>												
Total Revenues	381	422	482	14%	527	9%	590	12%	661	12%	740	12%
Operating Costs	-254	-268	-306	14%	-335	9%	-369	10%	-405	10%	-446	10%
Pre-Provision Profit	127	154	176	14%	192	9%	222	15%	256	15%	295	15%
Bad Debts	-19	-17	-20	18%	-23	13%	-25	10%	-27	10%	-30	10%
Other	-5	-6	0		-6		-6		-6		-6	
Trading Profit	103	131	156	19%	163	5%	191	17%	222	16%	258	16%
Cost/Income	67%	64%	63%		64%		62%		61%		60%	
<b>AMERICAS, UK &amp; OTHER</b>												
Total Revenues	134	148	183	24%	176	-4%	187	6%	198	6%	210	6%
Operating Costs	-141	-166	-151	-9%	-142	-6%	-146	3%	-151	3%	-155	3%
Pre-Provision Profit	-7	-18	32	-278%	34	6%	40	19%	47	17%	54	16%
Bad Debts	-5	-3	-10	0%	-20	103%	-21	5%	-22	5%	-23	5%
Other	-2	0	-8		-6		-6		-6		-6	
Trading Profit	-14	-21	14	NM	8	-45%	13	68%	19	44%	25	33%
Cost/Income	105%	112%	83%		81%		78%		76%		74%	
<b>Revenues by Product</b>												
Cards, Personal Loans and Unsecured Lending	2,044	2,422	2,668	10%	2,836	6%	3,006	6%	3,247	8%	3,506	8%
Wealth Management	1,138	1,272	1,268	0%	1,311	3%	1,390	6%	1,501	8%	1,621	8%
Deposits	1,202	1,409	1,526	8%	1,419	-7%	1,490	5%	1,609	8%	1,738	8%
Mortgages and Auto Finance	1,513	1,478	1,298	-12%	1,472	13%	1,546	5%	1,669	8%	1,803	8%
Others	182	210	261	24%	205	-21%	193	-6%	211	9%	236	12%

Source: Company Reports and Citi Research Estimates

Figure 137. Standard Chartered – Wholesale Bank, 2010–16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>GROUP TOTAL</b>												
Total Revenues	9,979	10,846	11,672	8%	11,683	0%	12,498	7%	13,556	8%	14,709	9%
Operating Costs	-4,840	-5,147	-5,285	3%	-5,354	1%	-5,605	5%	-5,951	6%	-6,322	6%
Pre-Provision Profit	5,139	5,699	6,387	12%	6,329	-1%	6,894	9%	7,605	10%	8,387	10%
Bad Debts	-305	-384	-522	36%	-565	8%	-616	9%	-666	8%	-744	12%
Other	-64	-99	-679		94		103		116		130	
Trading Profit	4,770	5,216	5,186	-1%	5,858	13%	6,381	9%	7,055	11%	7,772	10%
Cost/Income	49%	47%	45%		46%		45%		44%		43%	
<b>HONG KONG</b>												
Total Revenues	1,384	1,723	1,938	12%	2,214	14%	2,480	12%	2,728	10%	3,000	10%
Operating Costs	-634	-693	-801	16%	-857	7%	-917	7%	-981	7%	-1,050	7%
Pre-Provision Profit	750	1,030	1,137	10%	1,357	19%	1,563	15%	1,746	12%	1,951	12%
Bad Debts	2	-32	-14	NM	-15	7%	-19	25%	-23	25%	-29	25%
Other	1	0	-7		-2		-2		-2		-2	
Trading Profit	753	998	1,116	12%	1,340	20%	1,542	15%	1,721	12%	1,919	12%
Cost/Income	46%	40%	41%		39%		37%		36%		35%	
<b>SINGAPORE</b>												
Total Revenues	1,010	1,262	1,229	-3%	1,155	-6%	1,201	4%	1,297	8%	1,401	8%
Operating Costs	-602	-602	-616	2%	-623	1%	-635	2%	-680	7%	-728	7%
Pre-Provision Profit	408	660	613	-7%	532	-13%	566	6%	617	9%	674	9%
Bad Debts	0	-19	-4	-79%	-11	NM	-14	25%	-17	25%	-21	25%
Other	-1	-31	-2		7		7		7		7	
Trading Profit	407	610	607	0%	528	-13%	559	6%	607	9%	659	9%
Cost/Income	60%	48%	50%		54%		53%		52%		52%	
<b>OTHER ASIA PACIFIC</b>												
Total Revenues	1,687	1,898	2,076	9%	1,765	-15%	1,906	8%	2,059	8%	2,223	8%
Operating Costs	-885	-961	-1,049	9%	-924	-12%	-989	7%	-1,058	7%	-1,132	7%
Pre-Provision Profit	802	937	1,027	10%	841	-18%	918	9%	1,001	9%	1,091	9%
Bad Debts	-30	-18	-35	94%	-61	74%	-91	50%	-137	50%	-205	50%
Other	-1	31	17		114		125		138		152	
Trading Profit	771	950	1,009	6%	894	-11%	952	6%	1,002	5%	1,038	4%
Cost/Income	52%	51%	51%		52%		52%		51%		51%	
<b>KOREA</b>												
Total Revenues	640	565	669	18%	630	-6%	643	2%	662	3%	682	3%
Operating Costs	-283	-312	-286	-8%	-286	0%	-289	1%	-295	2%	-301	2%
Pre-Provision Profit	357	253	383	51%	344	-10%	354	3%	367	4%	381	4%
Bad Debts	-87	-32	-26	-19%	-38	47%	-46	20%	-50	10%	-56	10%
Other	0	-8	-7		-19		-19		-19		-19	
Trading Profit	270	213	350	64%	287	-18%	289	1%	298	3%	307	3%
Cost/Income	44%	55%	43%		45%		45%		45%		44%	
<b>INDIA</b>												
Total Revenues	1,531	1,323	1,145	-13%	1,257	10%	1,263	0%	1,390	10%	1,529	10%
Operating Costs	-413	-477	-435	-9%	-405	-7%	-405	0%	-437	8%	-472	8%
Pre-Provision Profit	1,118	846	710	-16%	852	20%	858	1%	952	11%	1,056	11%
Bad Debts	-23	-80	-138	73%	-203	47%	-203	0%	-183	-10%	-164	-10%
Other	-3	-60	9		0		0		0		0	
Trading Profit	1,092	706	581	-18%	649	12%	655	1%	770	17%	892	16%
Cost/Income	27%	36%	38%		32%		32%		31%		31%	

Source: Company Reports and Citi Research Estimates

Figure 138. Standard Chartered – Wholesale Bank, 2010–16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>MESA</b>												
Total Revenues	1,476	1,496	1,481	-1%	1,480	0%	1,598	8%	1,726	8%	1,864	8%
Operating Costs	-537	-598	-607	2%	-598	-1%	-634	6%	-672	6%	-712	6%
Pre-Provision Profit	939	898	874	-3%	882	1%	965	9%	1,054	9%	1,152	9%
Bad Debts	-143	-197	-265	35%	-111	-58%	-111	0%	-111	0%	-111	0%
Other	-29	-13	-32		0		0		0		0	
Trading Profit	767	688	577	-16%	771	34%	854	11%	943	11%	1,041	10%
Cost/Income	36%	40%	41%		40%		40%		39%		38%	
<b>AFRICA</b>												
Total Revenues	865	960	1,111	16%	1,221	10%	1,368	12%	1,533	12%	1,718	12%
Operating Costs	-399	-446	-478	7%	-521	9%	-573	10%	-630	10%	-693	10%
Pre-Provision Profit	466	514	633	23%	700	11%	794	13%	902	14%	1,024	14%
Bad Debts	-5	-7	-18	157%	-94	NM	-99	5%	-109	10%	-119	10%
Other	-5	-10	0		-3		-5		-5		-5	
Trading Profit	456	497	615	24%	603	-2%	691	15%	789	14%	900	14%
Cost/Income	46%	46%	43%		43%		42%		41%		40%	
<b>AMERICAS, UK &amp; OTHER</b>												
Total Revenues	1,386	1,619	2,023	25%	1,961	-3%	2,039	4%	2,162	6%	2,292	6%
Operating Costs	-1,087	-1,058	-1,013	-4%	-1,140	13%	-1,163	2%	-1,198	3%	-1,234	3%
Pre-Provision Profit	299	561	1,010	80%	821	-19%	877	7%	964	10%	1,058	10%
Bad Debts	-19	1	-22	NM	-32	45%	-34	6%	-36	6%	-38	6%
Other	-26	-8	-657		-3		-3		-3		-3	
Trading Profit	254	554	331	-40%	786	137%	840	NM	925	NM	1,017	NM
Cost/Income	78%	65%	50%		58%		57%		55%		54%	
<b>Revenues by Product</b>												
Lending and portfolio management	868	841	837	0%	815	-3%	842	3%	892	6%	946	6%
Transaction banking	2,770	3,247	3,636	12%	3,526	-3%	3,883	10%	4,335	12%	4,840	12%
-Trade	1,467	1,595	1,915	20%	1,882	-2%	2,108	12%	2,382	13%	2,692	13%
-Cash Management and Custody	1,303	1,652	1,721	4%	1,644	-4%	1,776	8%	1,953	10%	2,148	10%
Global markets	6,341	6,758	7,199	7%	7,392	3%	7,828	6%	8,388	7%	8,988	7%
- Financial markets	3,303	3,688	3,657	-1%	3,747	2%	3,924	5%	4,238	8%	4,577	8%
FX	1,200	1,434	1,277	-11%	1,485	16%	1,663	12%	1,796	8%	1,940	8%
Rates	837	893	965	8%	877	-9%	833	-5%	900	8%	972	8%
Commodities and Equities	411	603	521	-14%	533	2%	533	0%	576	8%	622	8%
Capital markets	541	548	591	8%	558	-6%	586	5%	633	8%	683	8%
Credit and other	314	210	303	44%	294	-3%	309	5%	333	8%	360	8%
- ALM	912	921	837	-9%	720	-14%	756	5%	809	7%	866	7%
- Corporate finance	1,710	1,873	2,222	19%	2,563	15%	2,768	8%	2,934	6%	3,110	6%
- Principal finance	416	276	483	75%	362	-25%	380	5%	407	7%	435	7%

Source: Company Reports and Citi Research Estimates



**Notes**

**Notes**

**Notes**

## Appendix A-1

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Andrew Coombs; Ronit Ghose; Yafei Tian; Azzurra Guelfi; Nicholas Herman; Kinner Lakhani; Stefan Nedialkov; Simon Nellis; Florent Nitu

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