

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007		2006	
		\$million	Excluding acquisitions \$million	Acquisitions \$million	Total \$million
Interest income	3	16,176	12,810	177	12,987
Interest expense	4	(9,911)	(7,576)	(83)	(7,659)
Net interest income		6,265	5,234	94	5,328
Fees and commission income	5	3,189	2,232	43	2,275
Fees and commission expense	5	(528)	(392)	(2)	(394)
Net trading income	6	1,261	914	6	920
Other operating income	7	880	485	6	491
		4,802	3,239	53	3,292
Operating income		11,067	8,473	147	8,620
Staff costs	8	(3,949)	(2,873)	(40)	(2,913)
Premises costs	8	(592)	(439)	(5)	(444)
General administrative expenses	8	(1,329)	(1,144)	(27)	(1,171)
Depreciation and amortisation	9	(345)	(249)	(19)	(268)
Operating expenses		(6,215)	(4,705)	(91)	(4,796)
Operating profit before impairment losses and taxation		4,852	3,768	56	3,824
Impairment losses on loans and advances and other credit risk provisions	20	(761)	(611)	(18)	(629)
Other impairment	10	(57)	(15)	–	(15)
Profit/(loss) from associates	23	1	(2)	–	(2)
Profit before taxation		4,035	3,140	38	3,178
Taxation	11	(1,046)	(812)	(12)	(824)
Profit for the year		2,989	2,328	26	2,354
Profit attributable to:					
Minority interests	40	148	75	1	76
Parent company shareholders		2,841	2,253	25	2,278
Profit for the year		2,989	2,328	26	2,354
Basic earnings per ordinary share	13	201.1c			169.0c
Diluted earnings per ordinary share	13	198.7c			167.0c

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 \$million	2006* \$million
Assets			
Cash and balances at central banks	42	10,175	7,698
Financial assets held at fair value through profit or loss	15	22,958	15,715
Derivative financial instruments	16	26,204	13,154
Loans and advances to banks	17, 20	35,365	19,724
Loans and advances to customers	18, 20	154,266	139,300
Investment securities	22	55,274	49,497
Interests in associates	23	269	218
Goodwill and intangible assets	25	6,380	6,247
Property, plant and equipment	26	2,887	2,168
Deferred tax assets	27	559	512
Other assets	28	11,011	8,601
Prepayments and accrued income		3,857	3,268
Total assets		329,205	266,102
Liabilities			
Deposits by banks	29	25,880	26,233
Customer accounts	30	179,760	147,382
Financial liabilities held at fair value through profit or loss	31	14,250	9,969
Derivative financial instruments	16	26,270	13,703
Debt securities in issue	32	27,137	23,514
Current tax liabilities		185	68
Other liabilities	34	14,742	11,331
Accruals and deferred income		3,429	3,210
Provisions for liabilities and charges	35	38	45
Retirement benefit obligations	36	322	553
Subordinated liabilities and other borrowed funds	37	15,740	12,699
Total liabilities		307,753	248,707
Equity			
Share capital	38	705	692
Reserves	39	20,146	16,161
Total parent company shareholders' equity		20,851	16,853
Minority interests	40	601	542
Total equity		21,452	17,395
Total equity and liabilities		329,205	266,102

* Amounts have been restated as explained in note 51 on page 154.

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

E M Davies
Chairman

P A Sands
Group Chief Executive

R H Meddings
Group Finance Director

Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Notes	Group		Company	
		2007 \$million	2006 \$million	2007 \$million	2006 \$million
Exchange differences on translation of foreign operations:					
Net gains taken to equity		415	670	–	–
Transferred to income on repatriation of branch capital		(109)	–	–	–
Actuarial gains on retirement benefit obligations	36	237	104	–	–
Available-for-sale investments:					
Net valuation gains taken to equity		675	682	–	–
Transferred to income		(252)	(190)	–	–
Cash flow hedges:					
Net gains taken to equity		57	79	–	–
Net (gains)/losses transferred to income for the year		(58)	20	–	–
Taxation on items recognised directly in equity		(99)	(131)	–	–
Other		–	7	–	(3)
Net income/(expense) recognised in equity		866	1,241	–	(3)
Profit for the year		2,989	2,354	349	686
Total recognised income and expense for the year		3,855	3,595	349	683
Attributable to:					
Minority interests	40	196	111	–	–
Parent company shareholders	39	3,659	3,484	349	683
		3,855	3,595	349	683

Cash Flow Statement

For the year ended 31 December 2007

	Group		Company	
	2007 \$million	2006* \$million	2007 \$million	2006* \$million
Cash flow from operating activities				
Profit before taxation	4,035	3,178	310	713
Adjustment for items not involving cash flow or shown separately:				
Depreciation and amortisation	345	268	-	-
Gain on disposal of property, plant and equipment	(1)	(16)	-	-
Gain on disposal of investment securities and loan and receivable financial assets	(342)	(190)	-	-
Gain arising on initial recognition of Visa Inc. shares	(107)	-	-	-
Writedowns relating to asset backed securities	87	-	-	-
Movement in fair value hedges on available-for-sale assets	(21)	(5)	-	-
Amortisation of discounts and premiums of investment securities	(259)	(257)	-	-
Pension costs for defined benefit schemes	110	96	-	-
Impairment losses on loans and advances and other credit risk provisions	761	629	-	-
Dividend income from subsidiaries	-	-	(385)	(656)
Other impairment	57	15	-	-
Recoveries of acquisition fair values and discount unwind	(164)	(158)	-	-
	466	382	(385)	(656)
Net (decrease)/increase in derivative financial instruments	(466)	45	-	-
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(3,691)	(4,259)	-	-
Net increase in loans and advances to banks and customers	(14,983)	(11,664)	-	-
Increase in prepayments and accrued income	(519)	(901)	-	-
Net increase in deposits from banks, customer accounts and debt securities in issue	36,135	16,914	-	-
Increase/(decrease) in accruals and deferred income	289	786	(1,051)	(101)
Net increase/(decrease) in other accounts	(1,880)	4,408	111	297
	14,885	5,329	(940)	196
Interest expense on subordinated liabilities	811	643	126	115
Net return from defined benefit schemes	16	47	-	-
UK and overseas taxes (paid)/refunded	(1,097)	(903)	14	-
Net cash from/(used in) operating activities	19,116	8,676	(875)	368
Net cash flows from investing activities				
Purchase of property, plant and equipment	(471)	(245)	-	-
Disposal of property, plant and equipment	22	40	-	-
Acquisition of investment in subsidiaries, net of cash acquired	(85)	(937)	(750)	(2,683)
Redemption of capital in subsidiary	-	-	-	1,000
Acquisition of investment securities	(78,292)	(71,115)	-	-
Dividends received from investment in subsidiaries	-	-	385	656
Disposal and maturity of investment securities	74,457	63,896	-	-
Net cash used in investing activities	(4,369)	(8,361)	(365)	(1,027)
Net cash flows from financing activities				
Issue of ordinary and preference share capital	861	2,070	861	2,070
Purchase of own shares	(15)	(9)	-	-
Exercise of share options through ESOP	39	158	-	-
Redemption of preference share capital	-	(328)	-	(328)
Interest paid on subordinated liabilities	(737)	(562)	(118)	(124)
Gross proceeds from issue of subordinated liabilities	3,051	1,591	-	-
Repayment of subordinated liabilities	(505)	(390)	-	-
Dividends paid to minority interests and preference shareholders	(148)	(80)	(28)	(25)
Dividends paid to ordinary shareholders	(573)	(496)	(573)	(496)
Net cash from financing activities	1,973	1,954	142	1,097
Net increase/(decrease) in cash and cash equivalents	16,720	2,269	(1,098)	438
Cash and cash equivalents at beginning of year	38,161	35,226	2,028	1,590
Effect of exchange rate movements on cash and cash equivalents	457	666	-	-
Cash and cash equivalents at end of year (note 42)	55,338	38,161	930	2,028

* Amounts have been re-presented as explained in note 51 on page 154.

Company Balance Sheet

As at 31 December 2007

	Notes	2007 \$million	2006 \$million
Non-current assets			
Investments in subsidiary undertakings	23	10,406	9,656
Current assets			
Amounts owed by subsidiary undertakings		2,019	3,181
Taxation		183	158
Other		127	103
		2,329	3,442
Current liabilities			
Amounts owed to subsidiary undertakings		1,089	1,153
Other creditors, including taxation		102	71
Deferred income		40	154
		1,231	1,378
Net current assets		1,098	2,064
Total assets less current liabilities		11,504	11,720
Non-current liabilities			
Subordinated liabilities and other borrowed funds	37	1,987	1,977
Deferred income		271	1,208
		9,246	8,535
Equity			
Share capital	38	705	692
Reserves	39	8,541	7,843
Total equity		9,246	8,535

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

E M Davies
Chairman

P A Sands
Group Chief Executive

R H Meddings
Group Finance Director