

## press release

7 August 2009

Banks may now offer investors a glimmer of hope

- Barclays remain the stockbroker's preferred bank for high risk investors
- Lloyds Banking Group and HSBC are listed as a hold
- RBS is listed as a sell due to its lack of confidence and its unclear future

**Following the recent crisis in the financial sector, Nick Raynor, investment adviser at The Share Centre, gives his update on the banking sector and explains why some banks may now offer investors a glimmer of hope.**

"Only a few months ago the banking sector was in crisis. Having battled through waves of bad debts and the ups and downs of the market, the banks have emerged battered and in some cases remolded, but basically intact.

"Barclays remains our preferred bank, having proven resilient despite the challenges of the past 12 months. On Monday the bank posted pre-tax profits of £2.98bn, an 8 per cent rise on last year. Barclays doesn't owe the government any money and it has fended off questions concerning its exposure to toxic debt, by passing the FSA's stress test earlier this year.

"HSBC has also proven to be a something of a safe harbour for investors as, like Barclays, it avoided government support. The bank also posted pre-tax profits of £2.98bn on Monday, although this figure was about half of what the bank made in the same period a year ago. However, its Far East origins have stood the bank in good stead and it looks well placed to develop new business in the future.

"On Wednesday, Lloyds Banking Group reported an underlying loss of £4bn, blaming its merger with HBOS for 80 per cent of its debts. HBOS' reckless lending cancelled out the £6bn pre-tax profit Lloyds made in the first half of the year. However, the good news for shareholders is that most of these poor quality loans are now insured by the taxpayers, so any future losses will be a problem for us not the bank.

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“This morning, RBS, which is 70 per cent owned by the taxpayer, reported a profit of £15m, despite write-downs of £7.5bn in the first six months of the year. The bank’s results were refreshingly honest, highlighting its net loss as “poor”. On top of this the bank’s chief executive, Stephen Hester, warned that he does not expect the bank to recover until 2011.

“Given the ongoing volatility within the sector we continue to list both Barclays and HSBC as a hold for low-to-medium risk investors. However, investors with a bigger appetite for risk, looking to buy within the sector could consider buying Barclays. As Lloyds has the biggest exposure to UK consumer debt we are listing the bank as a tentative weak hold and in view of RBS’ bleak outlook we are advising investors to considering selling.”

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## About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on [www.share.com](http://www.share.com). Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#)

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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