LLOYDS BANKING GROUP

2013 RESULTS

Presentation to Analysts and Investors

13 February 2014

AGENDA

LLOYDS BANKING GROUP

2013 PROGRESS
António Horta-Osório, Group Chief Executive

FINANCIAL RESULTS AND GUIDANCE
George Culmer, Group Finance Director

UPDATE ON COSTS AND SIMPLIFICATION
Mark Fisher, Director, Group Operations

DELIVERING GROWTH
António Horta-Osório, Group Chief Executive

2013 STRATEGIC HIGHLIGHTS

LLOYDS BANKING GROUP

- **Significant progress made on our strategy, with delivery ahead of plan**
- **Continued focus on our customers and helping Britain prosper; core lending returned to growth in all divisions**
- **Financial performance substantially improved; Group underlying profit more than doubled**
- **Continued risk reduction: non-core assets reduced by over a third, in a capital accretive way, our international presence further reduced and funding position further improved**
- **Capital significantly strengthened, meeting guidance despite additional charges for legacy business, mainly PPI**
- **UK Government commenced the process of reducing its stake in the Group**
- **Expect to apply to the PRA in second half of 2014 to restart dividend payments**

FINANCIAL PERFORMANCE

Profit and returns substantially improved

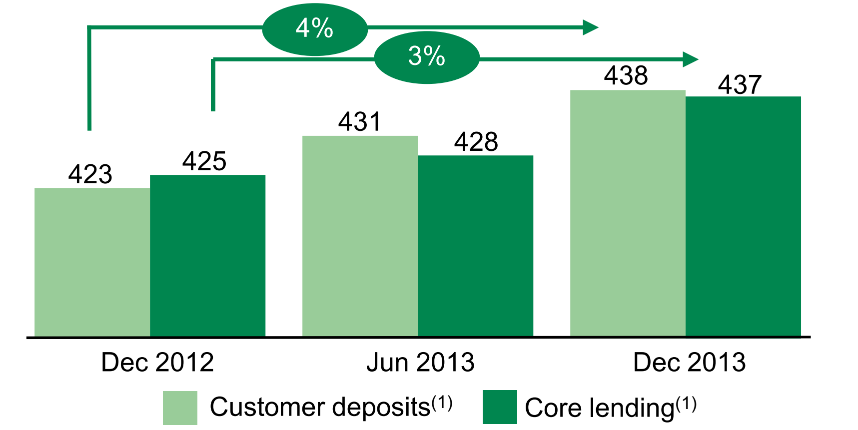
	GROUP	CORE
INCOME	↑ £18,805m 2%	↑ £18,244m 6%
NIM	↑ 2.12% 19bp	↑ 2.49% 17bp
COSTS	↓ £(9,635)m 5%	↓ £(9,149)m 1%
IMPAIRMENT	↓ £(3,004)m 47%	↓ £(1,521)m 21%
UNDERLYING PROFIT	↑ £6,166m 140%	↑ £7,574m 24%
RETURN ON RWAs	↑ 2.14% 137bp	↑ 3.26% 72bp
STATUTORY PROFIT	↑ £415m	

- **Group underlying profit more than doubled to £6.2bn with core contributing £7.6bn**
  - Further improvement in core profitability
  - Significant reduction in non-core losses
- **Costs down 5% – Simplification programme delivering further efficiencies, with continued investment**
- **Further improvement in overall portfolio quality reflected substantial reduction in impairment charge**
- **Higher returns driven by increased profitability and lower RWAs**
- **Statutory profit of £415m includes legacy charges totalling £3.5bn**

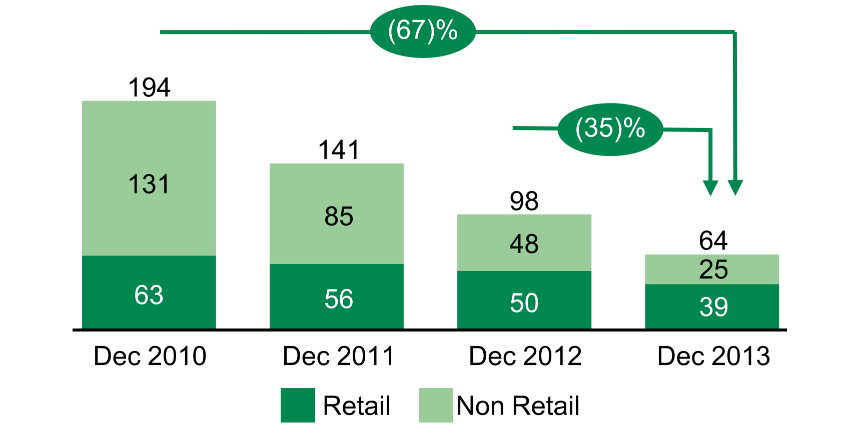
BALANCE SHEET

Core lending returned to growth, non-core assets further reduced and capital and funding position strengthened

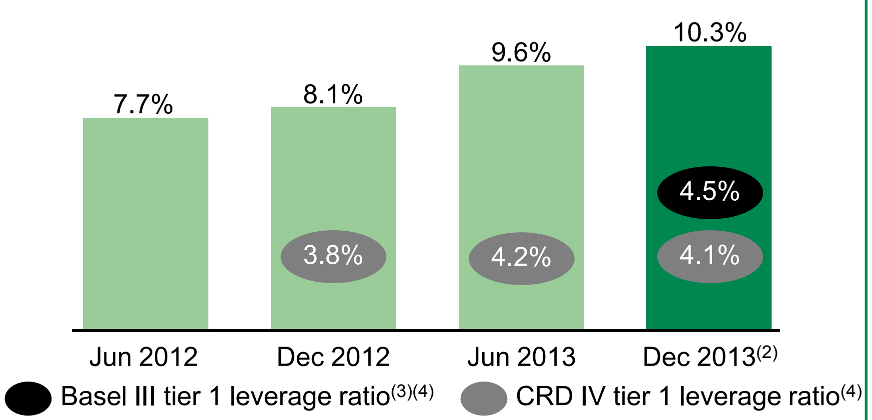
CUSTOMER DEPOSITS & CORE LENDING (£bn)



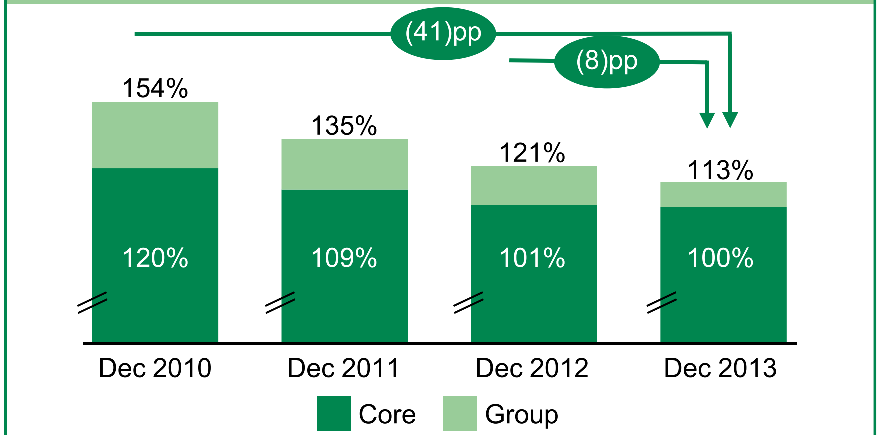
NON-CORE ASSETS (£bn)



FULLY LOADED COMMON EQUITY TIER 1



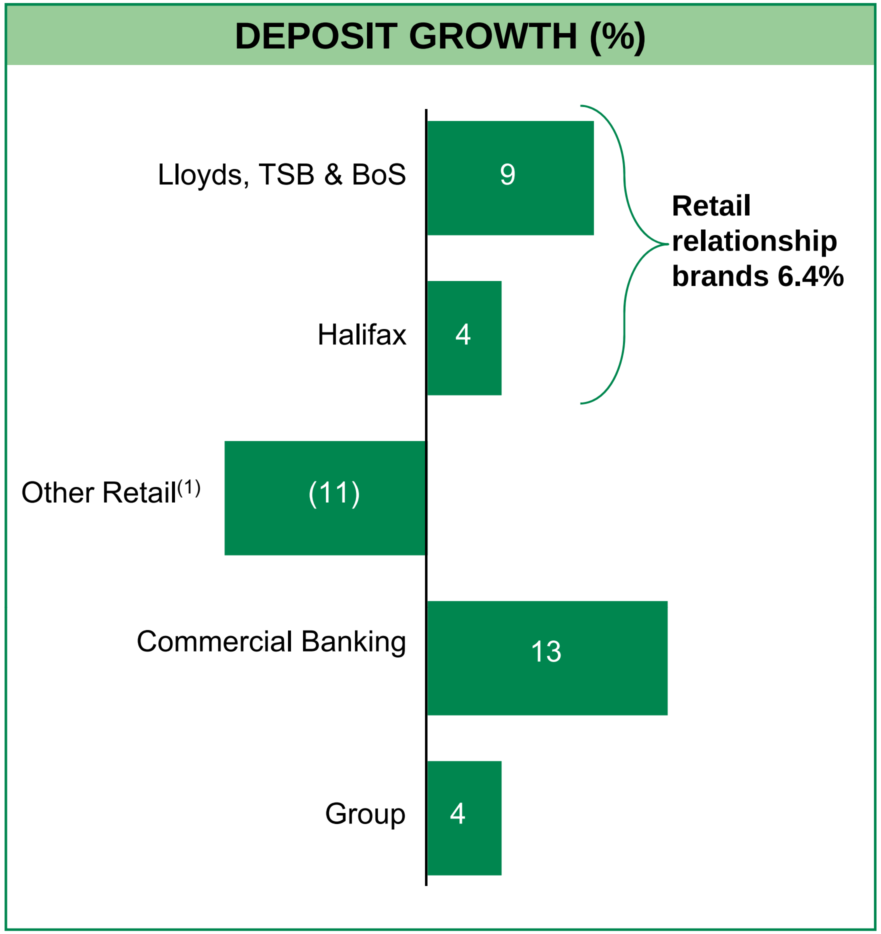
LOAN TO DEPOSIT RATIO(1)



(1) Excluding repos and reverse repos. (2) Pro forma fully loaded common equity tier 1 capital ratio and leverage ratios including benefit of announced sales of SWIP, Sainsbury's Bank, Heidelberger Leben. (3) Exposure measure estimated in accordance with Jan 2014 revised Basel III leverage ratio framework. (4) Pro forma. Includes the full value of Tier 1 instruments reported under the prevailing rules as at 31 December 2013.

BEST BANK FOR CUSTOMERS

Strong deposit growth reflecting strength of our brands



- **Deposit growth continues in low base rate environment**
- **Our relationship brands have outperformed the market**
- **Strong deposit growth reflects customer trust in our brands**
- **Growth in high quality deposits in Commercial Banking reflects strength of the customer franchise, particularly in Transaction Banking**

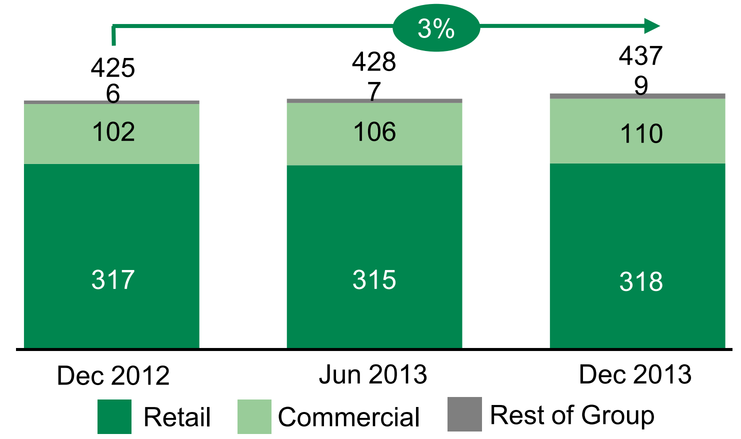
MULTI-BRAND STRATEGY DELIVERING COST-EFFECTIVE GROWTH

(1) Other Retail includes Birmingham Midshires, Scottish Widows Bank and IF.

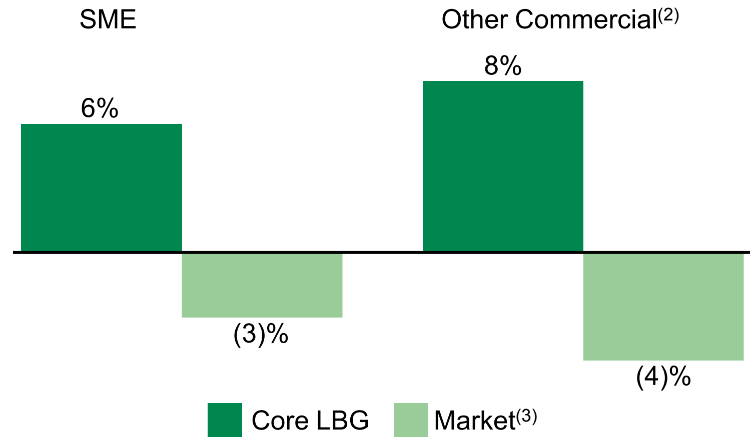
SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY

Core loan book now growing in all divisions

CORE LOANS AND ADVANCES (£bn)



CORE LOAN BOOK MOVEMENTS (%)



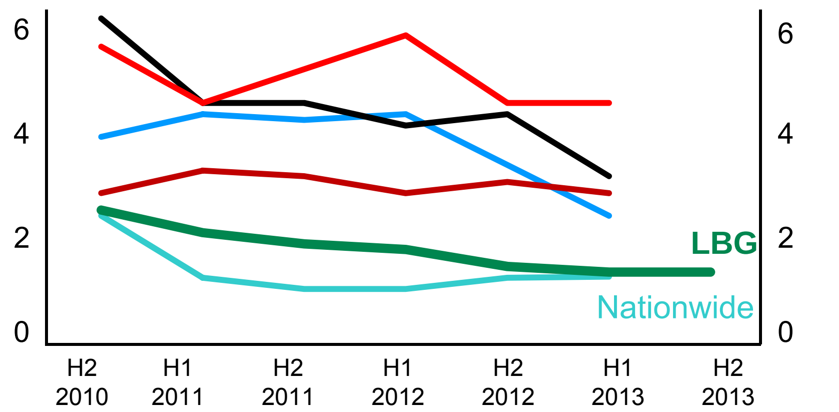
- **Core loan book growth of 3%, against market contraction of 1%[1]**
- **Committed over £37bn to UK customers through Funding for Lending (FLS), with net core FLS growth of £13bn since the start of the scheme**
- **Retail lending returned to growth in Q3 2013**
  - Lent £9.7bn to first time buyers in 2013. Fulfilled our £6.5bn commitment in September, three months ahead of schedule
  - Helped more than 80,000 customers buy their first home in 2013, substantially above our 60,000 target
- **Continued support for UK businesses**
  - Core lending increased 7% in Commercial, driven by 6% increase in SME, against a market contraction of 3%, and strong performance in Mid Markets and Global Corporates
  - Committed over £1.3bn to UK manufacturing in the year to end September 2013, ahead of target
  - Supported c.120,000 start-ups in 2013

[1] Market data source: BoE total lending Dec 2013 vs Dec 2012. [2] Includes Mid Markets, Global Corporates, Financial Institutions and Other. [3] Market data source: BoE Dec 2013 vs. Dec 2012.

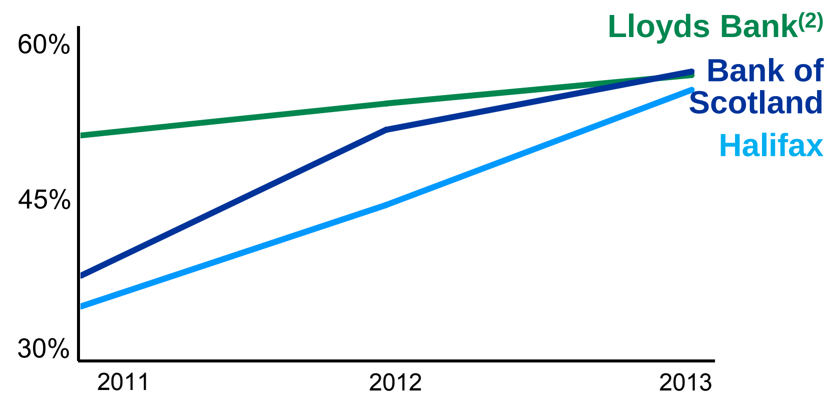
INVESTING TO BE THE BEST BANK FOR CUSTOMERS

Simplification enabling investment and delivering improved customer satisfaction and lower complaints

LOWER COMPLAINTS[1]



INCREASING NET PROMOTER SCORES



- **Strategic investment spend of around £600m in our core franchise in 2013**
- **Improved customer service, reflected in lower complaints and increased NPS scores**
- **Complaints significantly down since 2011**
- **Achieved our 2014 target of reducing complaints to 1 per 1,000 accounts, 18 months early**
- **Strong progress on improving customer satisfaction across all branded channels, with NPS scores up 11% over the year**

[1] FCA reportable banking complaints per 1,000 accounts (excluding PPI). [2] Includes TSB.

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FINANCIAL PERFORMANCE
Substantial increase in Group underlying profit

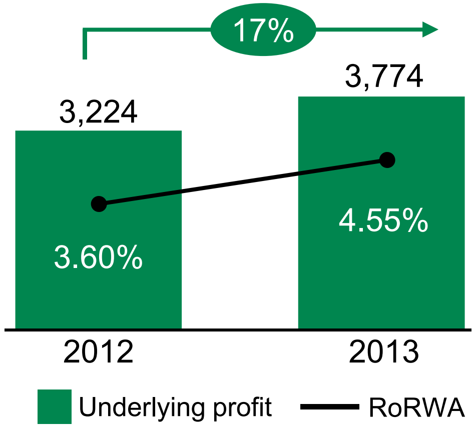
(£m)	2013	2012	Change %
Net interest income	**10,885**	10,335	*5%*
Other income	**7,920**	8,051	*(2)%*
Underlying income	**18,805**	18,386	*2%*
Total costs	**(9,635)**	(10,124)	*5%*
Impairment	**(3,004)**	(5,697)	*47%*
Underlying profit	**6,166**	2,565	*140%*
Core underlying profit	**7,574**	6,112	*24%*
Non-core underlying loss	**(1,408)**	(3,547)	*60%*
Statutory profit (loss) before tax	**415**	(606)	

- **Underlying profit more than doubled to £6.2bn**
- **Net interest income growth driven by improved net interest margin and core loan growth**
- **Other income reflects non-core reduction and subdued environment, partly offset by SJP gains**
- **Strong progress on cost reductions, primarily from Simplification**
- **Impairment down 47% with substantial improvement in non-core and continued strong performance in the core**
- **Statutory profit of £415m includes £3,455m of legacy provision charges, mainly PPI**

CORE DIVISIONAL FINANCIAL PERFORMANCE

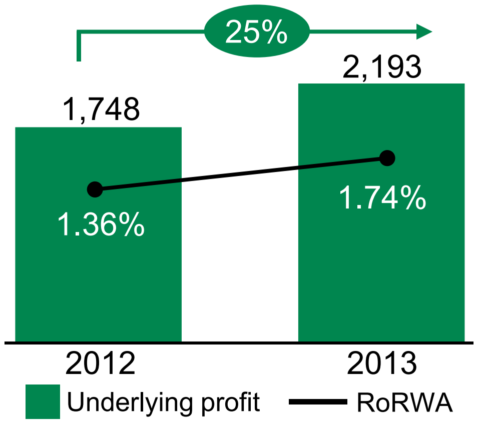
Substantial improvement in profitability and returns

RETAIL (£m)



- **Underlying profit improvement driven by 5% growth in NII and 11% reduction in impairment**
- **NII growth driven by 15bps margin expansion and return to growth in core lending**
- **Asset quality further improved in both secured and unsecured portfolios**

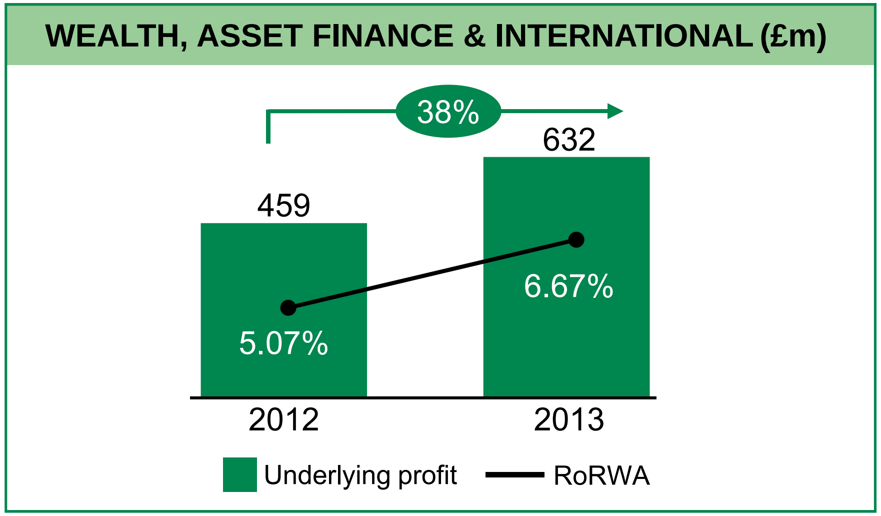
COMMERCIAL BANKING (£m)

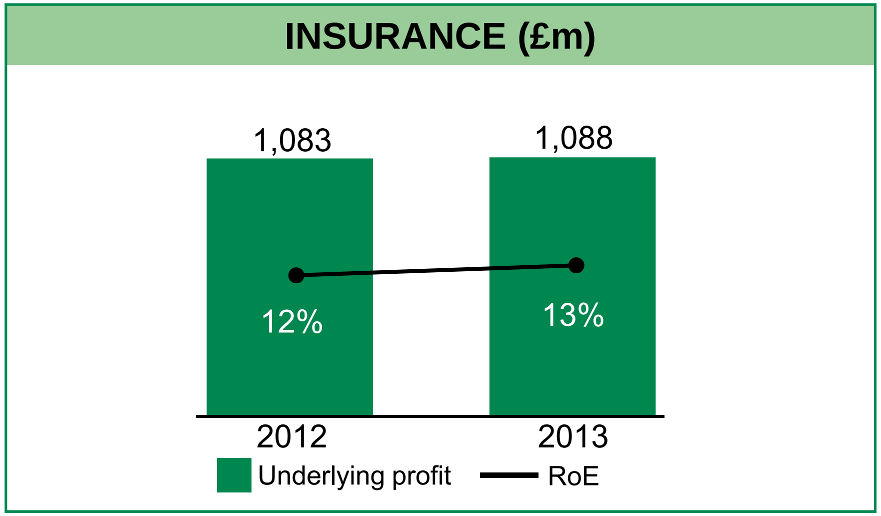


- **Improved returns driven by 5% increase in income and a substantial reduction in impairments**
- **Strong growth on both sides of the balance sheet; core lending up £7.5bn, deposits up £13.8bn and RWAs down 4%**
- **Core impairments reduced by 40% driven by improvement in credit quality**

CORE DIVISIONAL FINANCIAL PERFORMANCE

Substantially improved profits in WAFI, and strong cash generation in Insurance





- Significant increase in profitability with strong NII growth and reduced costs
- Enhanced returns and net interest margin improved, driven by lower deposit pricing
- Core loans and advances increased £1.2bn, driven by strong volume growth in Black Horse
- Underlying profit flat, with increasing return on equity
- Strong operating cash generation of £0.7bn. £2.2bn of dividend paid to the Group, whilst maintaining a strong capital position
- Benefitting from greater integration with the Group, reflecting 6% cost synergies

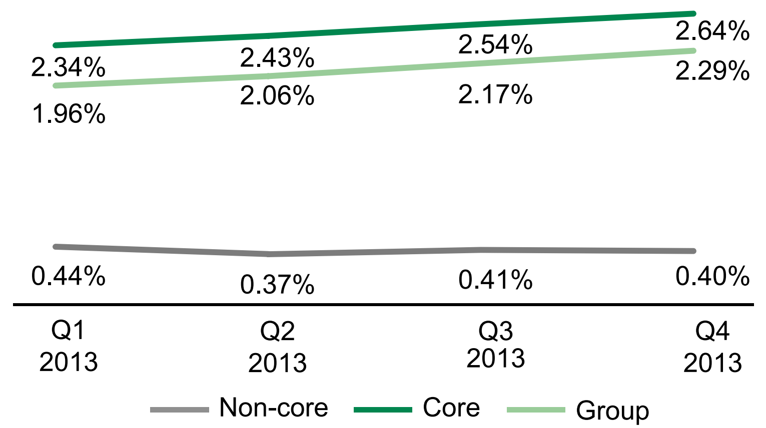
DIVISIONAL INCOME

Strong net interest income performance driven by margin and core lending growth

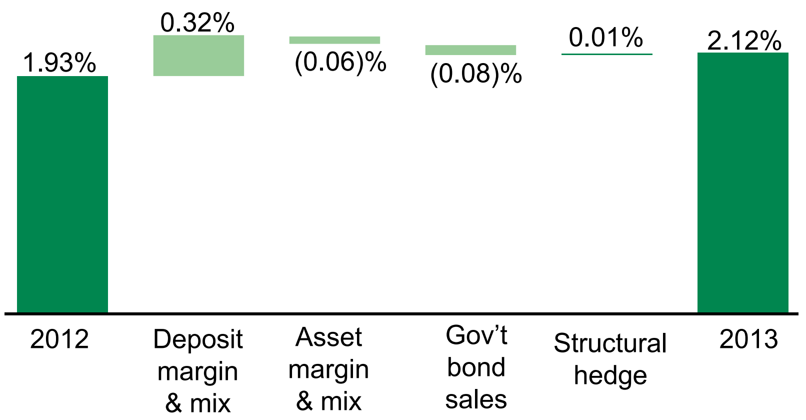
NET INTEREST INCOME (£m)

	2013	2012	%
Retail	7,525	7,163	*5%*
Commercial	2,444	2,242	*9%*
Wealth, Asset Finance & Int'l[(1)]	573	308	*86%*
Insurance & Other[(2)]	96	155	*(38)%*
Total Core	**10,638**	**9,868**	***8%***
Non-core NII	247	467	*(47)%*
Group NII	**10,885**	**10,335**	***5%***

NET INTEREST MARGIN



GROUP MARGINS



- **Strong improvement in NII across all banking divisions reflecting margin expansion and core loan growth**
- **Full year margin increased to 2.12%**
  - Improved core margin from deposit margin and mix
  - Non-core reduction
  - Reduced cost of wholesale funding
- **Margin increased across all divisions: Retail up 15bps to 2.23% reflecting lower deposit rates and robust asset margins; Commercial improved 37bps to 1.95% reflecting disciplined pricing of new business**
- **We expect the margin in 2014 to stabilise at around the Q4 2013 level**

[(1)] Excludes St. James's Place. [(2)] Includes St. James's Place.

DIVISIONAL INCOME

Resilient core other income in a challenging environment

LLOYDS BANKING GROUP

CORE OTHER INCOME (£m)

	2013	2012	%
Retail	1,400	1,446	*(3)%*
Commercial	2,480	2,442	*2%*
Wealth, Asset Finance & Int'l[1]	1,627	1,639	*(1)%*
Insurance	1,865	1,880	*(1)%*
Other	(427)	(315)	*(36)%*
Core Other Income[1]	6,945	7,092	*(2)%*
St. James's Place	661	325	
Core Other Income	**7,606**	**7,417**	***3%***

GROUP OTHER INCOME (£m)

	2013	2012	%
Core	7,606	7,417	*3%*
Non-core	314	634	*(50)%*
Group Other Income	**7,920**	**8,051**	***(2)%***
St. James's Place	(661)	(1,061)	
Other 2013 disposals[2]	(400)		
Continuing Business	**6,859**		

- **Retail down 3% reflecting lower Bancassurance and Protection income**
- **Commercial growth of 2% reflects progress on strategy, despite subdued market conditions**
- **In WAFI, growth in Asset Finance and new Wealth revenue streams was offset by RDR effects**
- **Strong corporate pensions growth in Insurance offset by lower Bancassurance and General Insurance volumes**
- **Core Other Income includes income held centrally**
- **Group Other Income excluding SJP and other disposals was £6.9bn, of which £6.6bn was core**

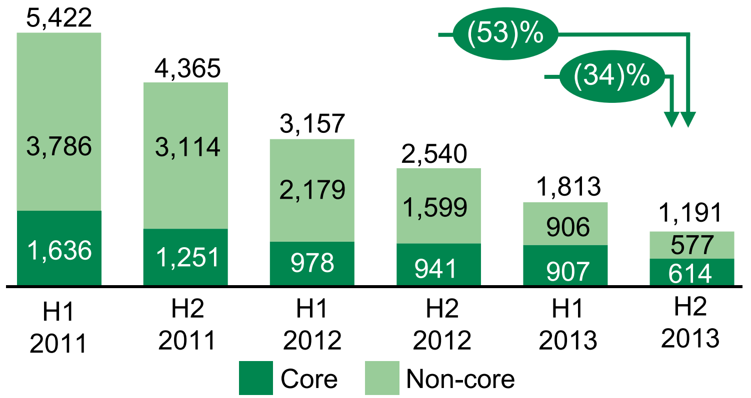
(1) Excludes St. James's Place gain on sale and income. (2) Business disposals announced in 2013, including SWIP, International Private Banking business, Australia, Spanish retail businesses and Heidelberger Leben.

FINANCIAL PERFORMANCE

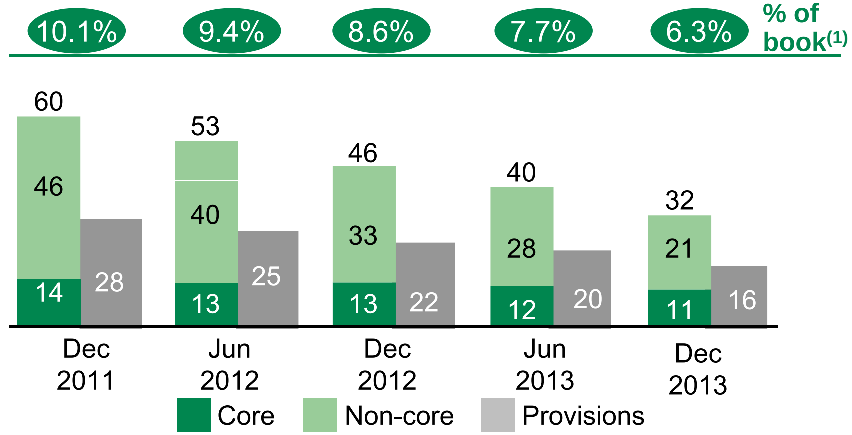
Key asset quality metrics all reflect a lower risk business; AQR target of 50-60bps achieved a year ahead of plan

LLOYDS BANKING GROUP

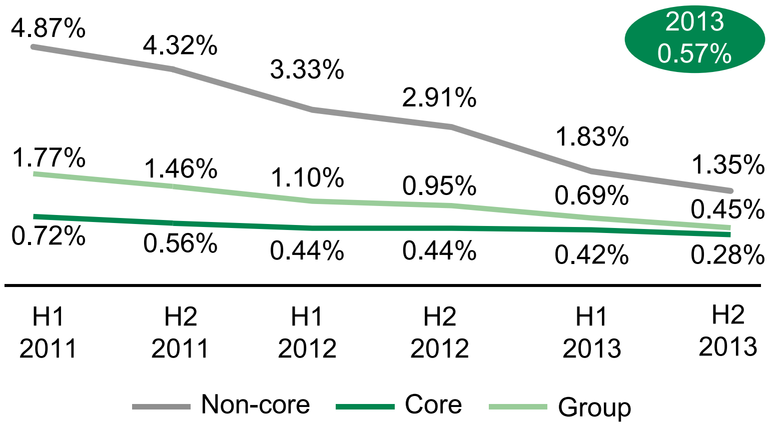
GROUP IMPAIRMENT (£m)



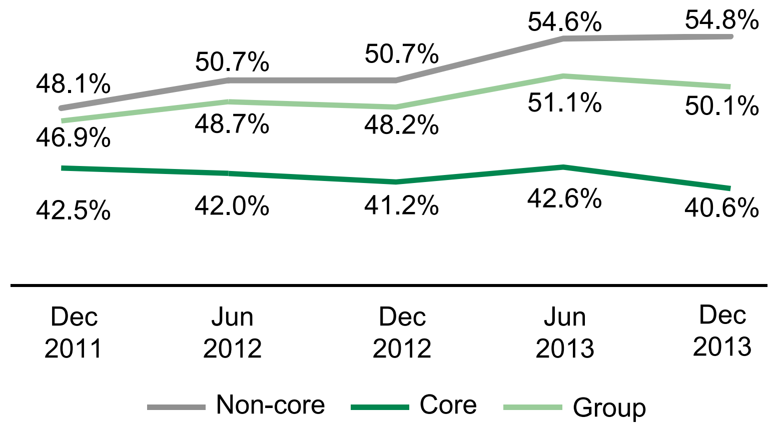
GROSS IMPAIRED LOANS (£bn)



ASSET QUALITY RATIO



COVERAGE RATIO



(1) Gross impaired loans as a percentage of total loans and advances to customers.

FINANCIAL PERFORMANCE
Increased Group statutory profit before tax

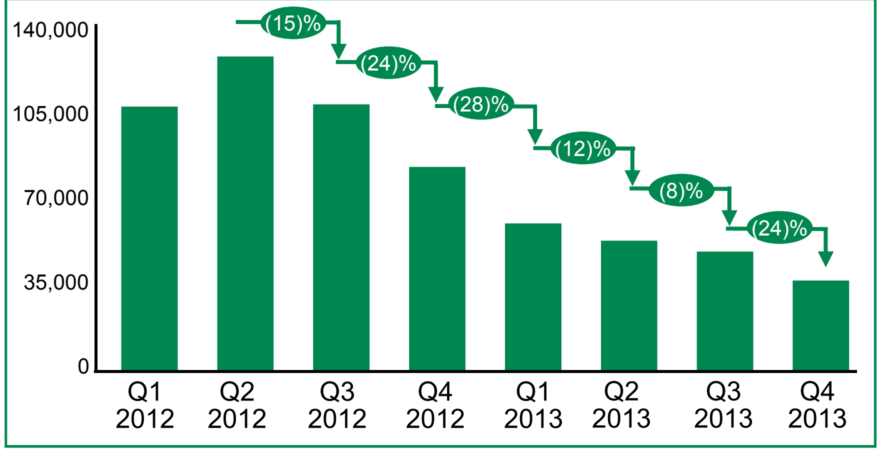
(£m)	2013	2012
Underlying profit	**6,166**	2,565
Asset sales	**100**	2,547
Volatile items	**(380)**	(15)
Simplification and Verde costs	**(1,517)**	(1,246)
Legacy provisions	**(3,455)**	(4,225)
Other statutory items	**(499)**	(232)
Statutory profit (loss) before tax	**415**	(606)
Tax	**(1,217)**	(781)
Statutory loss after tax	**(802)**	(1,387)

- **Gain on asset sales of £100m includes £787m gain on government bonds offset by non-core disposals**
- **Volatile items includes positive insurance volatility, more than offset by other items including banking volatility and fair value unwind**
- **End 2013 Simplification run-rate savings of £1.5bn**
  - £830m cost in 2013; to date £1.7bn
  - End 2014 run-rate savings target increased from £1.9bn to £2.0bn
  - Expect 2014 costs of £0.7bn
- **Verde costs to date of £1.5bn**
  - 2014 build costs of c.£200m
  - Dual running costs of c.£150m, assuming mid year 2014 IPO
- **Legacy provision charges of £3,455m**
  - £3,050m relates to PPI, £1,800m in Q4
- **Tax charge mostly reflects Q3 changes to UK tax rate and the write-down of Australian deferred tax assets**

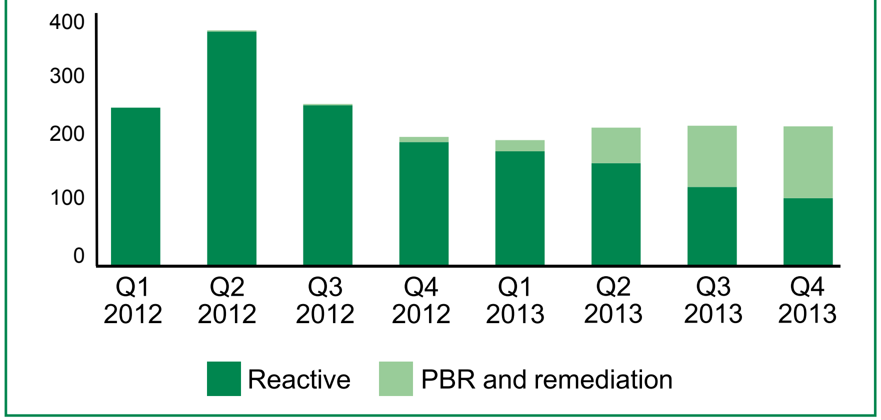
LEGACY ISSUES

PPI complaint volumes falling; increased provision reflects revised expectations

AVERAGE COMPLAINT VOLUMES PER MONTH[1]



AVERAGE PPI COSTS PER MONTH (£m)



- **Complaint volumes continue to fall**
  - Down 56% vs Q4 2012
- **Increased provision of £1.8bn in Q4 reflects**
  - £1.1bn for complaints and administrative costs
  - £0.4bn for uphold rates and responses to proactive mailings
  - £0.3bn for remediation costs
- **£2,807m of the revised provision remains unutilised**
- **Provision assumes an additional 550,000 complaints**
  - Q4 monthly average of c.37,000 complaints
- **Proactive mailings expected to be substantially complete by end of the half year**
- **FOS complaint volumes falling, Group reduction ahead of the industry**
- **Risks and uncertainties remain**

[1] Excludes complaints where no PPI policy is held.

BALANCE SHEET HIGHLIGHTS

Strong balance sheet

LLOYDS BANKING GROUP

(£bn)	GROUP Dec 2013	Jun 2013	Dec 2012	Change % Dec/Dec
ASSETS				
Core loans and advances[1]	**437**	428	425	*3%*
Non-core assets	**64**	83	98	*(35)%*
Primary liquid assets	**89**	87	88	*2%*
LIABILITIES				
Customer deposits[1]	**438**	431	423	*4%*
Wholesale funding	**138**	157	170	*(19)%*
Core risk-weighted assets	***225***	*234*	*237*	*(5)%*
Non-core risk-weighted assets	***39***	*55*	*73*	*(47)%*
Risk-weighted assets	***264***	*289*	*310*	*(15)%*

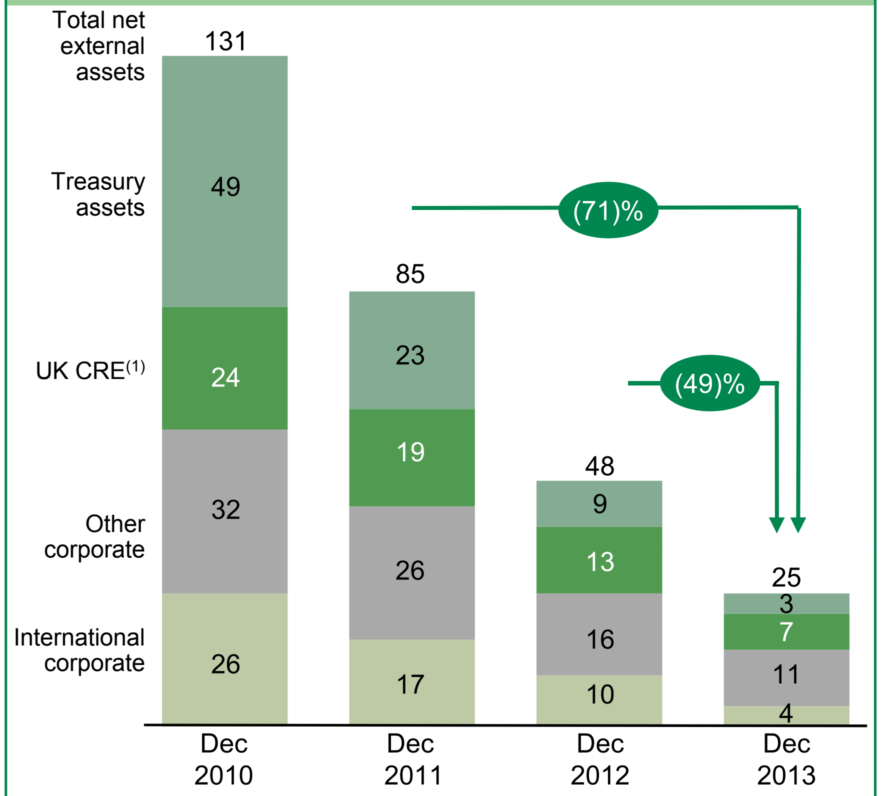
(£bn)	2013 MOVEMENTS H1	H2	Total
SOURCE OF FUNDS			
Non-core asset reduction	16	19	**35**
Deposit growth	8	8	**16**
Other movements	2	4	**6**
	26	31	**57**
USE OF FUNDS			
Core loans and advances	3	9	**12**
Primary liquid assets	(1)	3	**2**
Reduced wholesale funding	13	19	**32**
LTRO repayment	11	–	**11**
	26	31	**57**

Numbers may not sum due to rounding. [1] Excludes repos and reverse repos.

NON-CORE PORTFOLIO

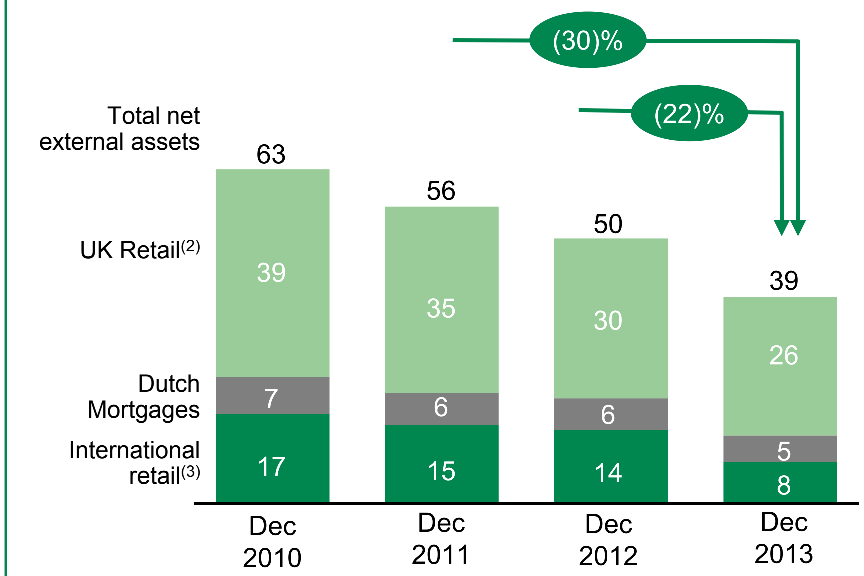
Further non-core reduction of £35bn; capital accretion of £2.6bn

NON RETAIL (£bn)



	Dec 2011		Dec 2012		Dec 2013
RWAs	74	(42)%	43	(58)%	18
Assets	85	(44)%	48	(49)%	25
Underlying loss (£m)	(5,282)	34%	(3,474)	56%	(1,527)

RETAIL (£bn)



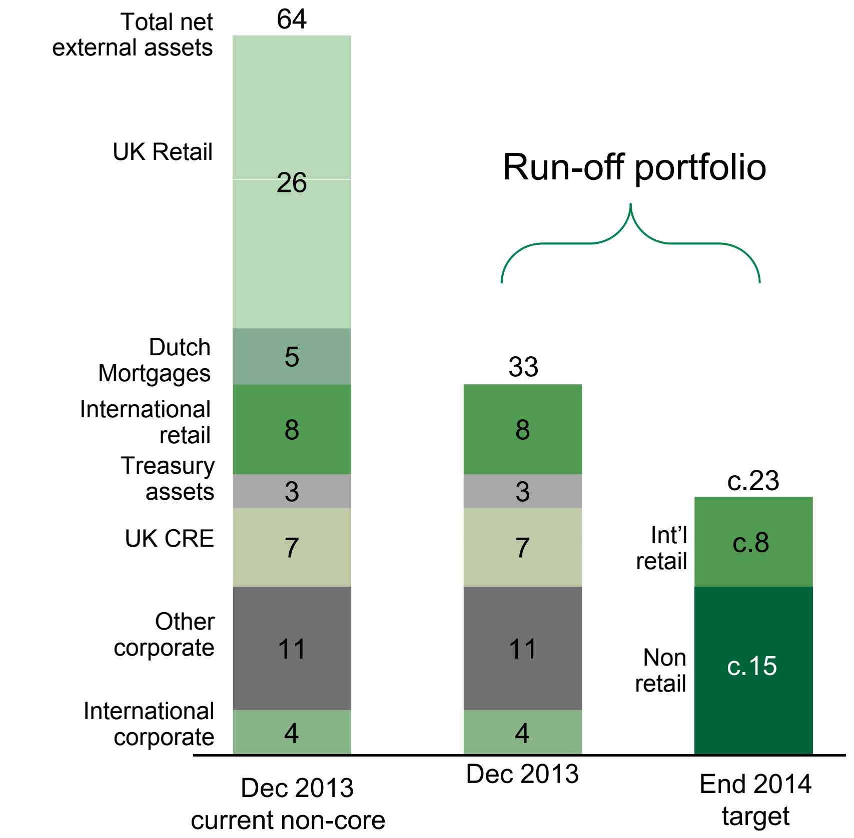
	Dec 2011		Dec 2012		Dec 2013
RWAs	35	(14)%	30	(30)%	21
Assets	56	(11)%	50	(22)%	39
Underlying profit (loss) (£m)	(276)	74%	(73)		119

(1) UK CRE includes all non-core CRE BSU (£5.9bn) and other non-core (£0.6bn). (2) Includes Asset Finance. (3) International retail includes Irish mortgages and Australia Asset Finance prior to its sale in 2013.

RUN-OFF PORTFOLIO

Expect to reduce run-off portfolio by c.30% in 2014

NON-CORE / RUN-OFF PORTFOLIO (£bn)



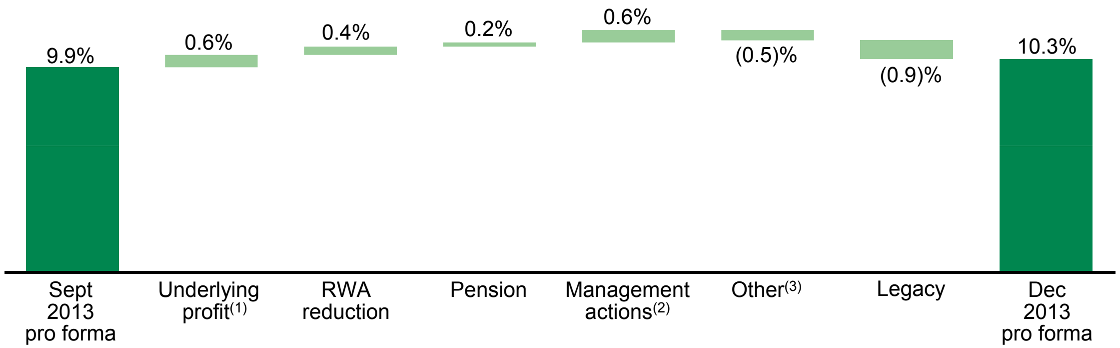
	Dec 2013 current non-core	Dec 2013
RWAs	**39**	**31**
Assets (£bn)	**64**	**33**

- **Run-off portfolio comprises**
  - Our non-core non-retail assets
  - Certain non-core retail assets, including Ireland and Hong Kong
- **Other non-core retail will be part of the ongoing Group, these comprise**
  - Black Horse Asset Finance
  - UK Retail specialist mortgages (closed book) and Dutch mortgages

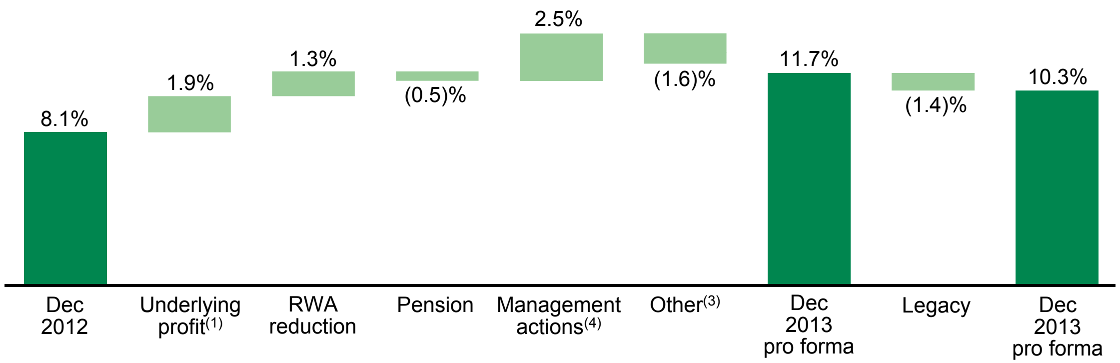
FURTHER STRENGTHENING THE BALANCE SHEET

Significant progress in enhancing capital ratios

FULLY LOADED COMMON EQUITY TIER 1 RATIO – SEPT TO DEC



FULLY LOADED COMMON EQUITY TIER 1 RATIO – DEC TO DEC



- **Estimated pro forma fully loaded CRD IV common equity tier 1 ratio improved to 10.3%**
- **Core tier 1 ratio improved to 14.0%**
- **Strong pro forma CRD IV tier 1 leverage ratio of 4.1%[5]**
- **Estimated pro forma Basel III tier 1 leverage ratio of 4.5%[5][6]**
- **Expect to generate fully loaded CET1 capital of around 2.5 percentage points over the next two years, and thereafter 1.5 – 2 percentage points per annum (pre dividends)**

A STRONGLY CAPITAL GENERATIVE BUSINESS

(1) Excl profit in Insurance business & relating to SJP disposal. (2) Announced sales of SWIP, final tranche of SJP & insurance dividend. (3) Incl other statutory items & movements in CRD IV adjustments to capital (incl. EEL, DTA and AFS reserve). (4) Announced sales of SWIP, HLE, SJP, US RMBS, Australian operations, Sainsbury's Bank, Insurance dividends received in 2013. (5) Incl tier 1 instruments. (6) Exposure measure est. in accordance with Jan 2014 revised Basel III framework.

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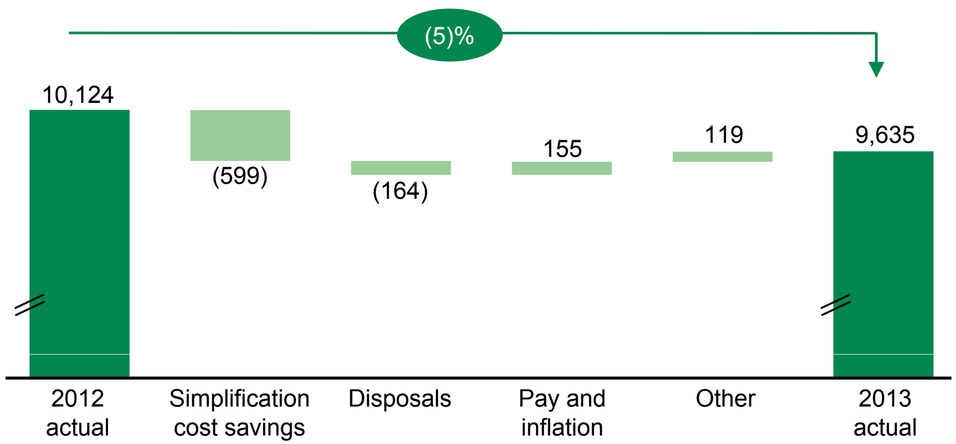
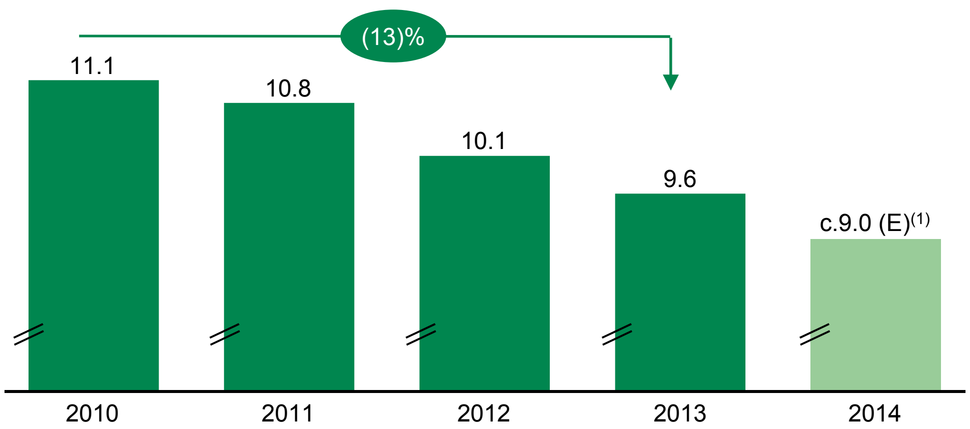
FINANCIAL PERFORMANCE

Maintaining the reducing cost trend

TOTAL COSTS 2013 (£m)



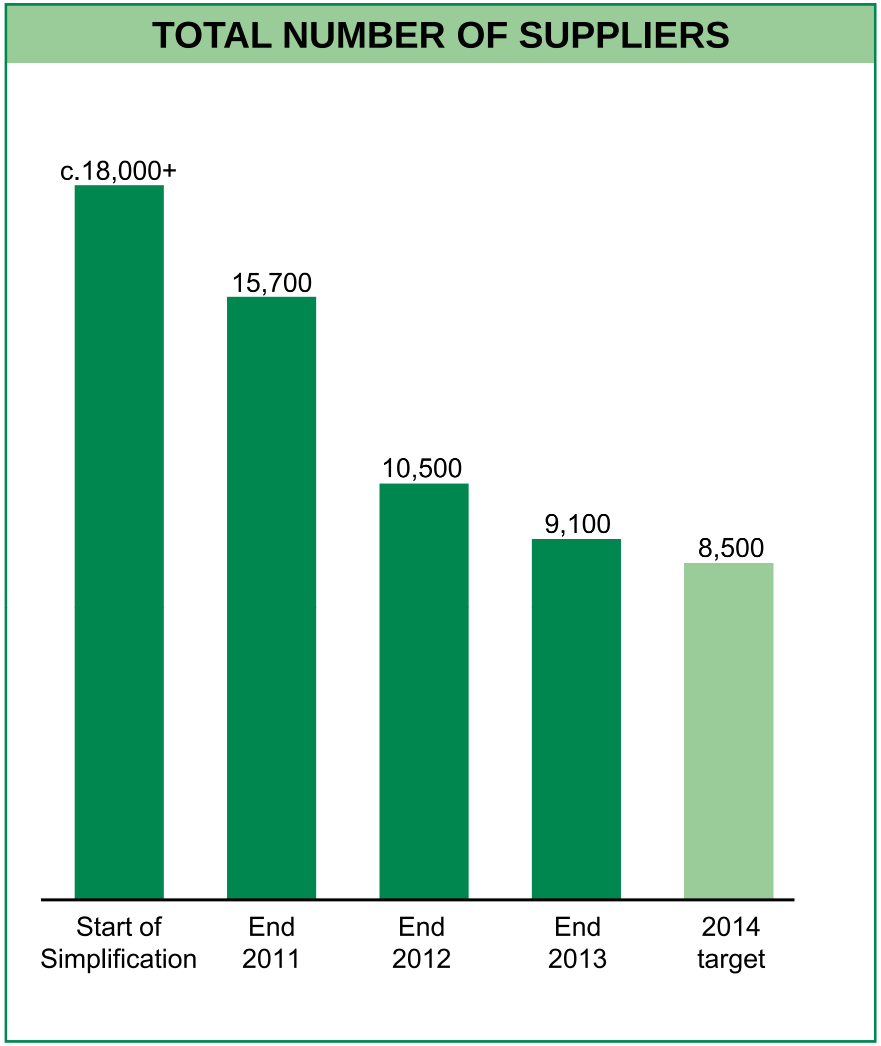
TOTAL COSTS TREND (£bn)



- **5% cost reduction**
  - Driven by strong Simplification savings
- **Simplification 2014 exit run-rate target increased to £2bn from £1.9bn**
- **Total costs below £10bn, one year ahead of Strategic Review target**
- **2014 costs of around £9.0bn (excluding TSB costs)**
  - £2bn of costs removed from Group 2010 – 2014
- **Investment in strategic initiatives continues**

Total costs 2010 – 2012 restated for impacts of IAS 19R. (1) Excluding TSB costs.

SIMPLIFYING THE GROUP
Working smarter and reducing costs



- **£464m of sourcing run-rate savings**
- **Almost 82% of spend now with top 100 suppliers**
- **19 non-branch property exits in 2013**
  - Target up from 50 to 55
- **Legal Entities now <1,000**
  - Reduced by over 40% since start of programme
- **Further centralisation and automation of HR services**
- **98% of FTE now in 7 layers**

BENEFITS FOR CUSTOMERS BEING DELIVERED

Over 300 initiatives, with many improvements for customers, including…

DIGITAL	▪ **Further penetration of internet banking** ▪ **Over 10.5m active internet users, over 4m mobile banking users and more than 1.2bn logons in 2013** ▪ **Strong progress in online sales**
AUTOMATING PROCESSES	▪ **Key customer processes simplified** ▪ **2/3 of Retail telephony transactions completed in IVR** ▪ **Over 1m working hours simplified out of branch in 2013**
MORE EFFECTIVE OPERATIONS	▪ **e-based flexible workflow management and customer case management** ▪ **Multi-skilled centres support load-balancing of customer transactions** ▪ **Continued outsource of non-core operations**

REPORTABLE BANKING COMPLAINTS (EXCL PPI) NOW AT 1.0 PER 1,000 ACCOUNTS

CUSTOMER ADVOCACY UP OVER A THIRD SINCE START OF PROGRAMME

AGENDA

2013 PROGRESS
António Horta-Osório, Group Chief Executive

FINANCIAL RESULTS AND GUIDANCE
George Culmer, Group Finance Director

UPDATE ON COSTS AND SIMPLIFICATION
Mark Fisher, Director, Group Operations

DELIVERING GROWTH
António Horta-Osório, Group Chief Executive

LLOYDS BANKING GROUP – OUR BUSINESS MODEL

Differentiated model enabling delivery of lower cost of equity

- UK customer focused business
- Retail and Commercial specialisation
- Leading cost position
- Lower financial leverage
- Lower risk appetite

LOWER RISK BUSINESS MODEL

LOWER COST OF EQUITY

LOWER COST OF DEBT

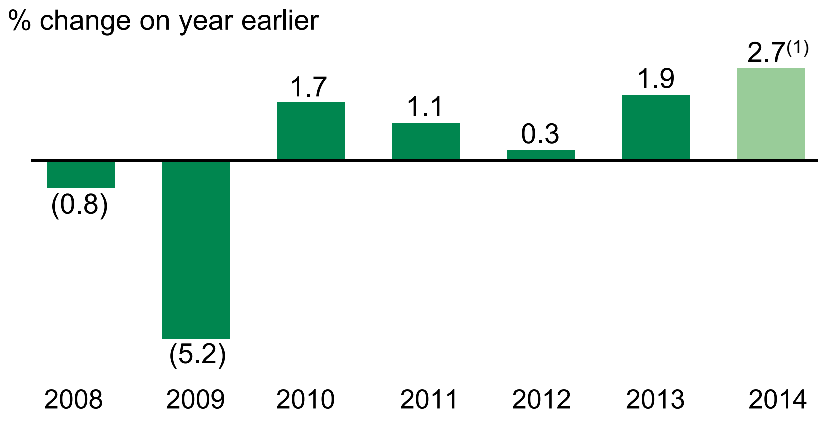
UNIQUE COMPETITIVE POSITION

CONFIDENT IN DELIVERY OF STRONG AND SUSTAINABLE ECONOMIC RETURNS

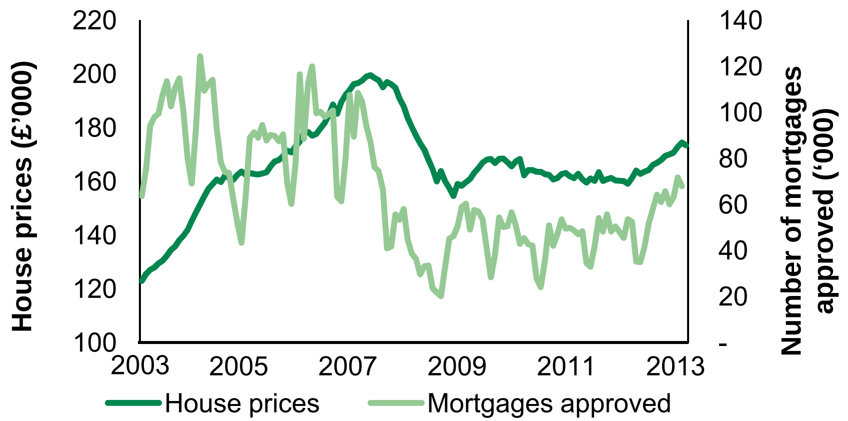
UK ECONOMIC RECOVERY

Helping Britain prosper as the UK economy gathers momentum

UK MEDIUM-TERM GDP GROWTH FORECAST



UK HOUSE PRICES



(1) January consensus forecast – source: HMT

- **UK economy recovering**
  - Falling unemployment and inflation levels boosting consumer confidence
  - Reduced Eurozone risk boosting business confidence
  - Base rate rises expected to be gradual, from 2015
- **UK housing market recovery**
  - Mortgage approvals increasing; expected to continue throughout 2014
  - House prices increasing, with recovery across the country, without buyers over-extending themselves
  - Help to Buy scheme principally supporting regional market

INVESTING TO BE THE BEST BANK FOR CUSTOMERS

Continued investment in growth opportunities

RETAIL

- Multi-brand strategy supporting loan and deposit growth; strong switching performance in Halifax
- Expect to deliver positive mortgage lending growth consistent with stronger market, and demand for unsecured credit will begin to increase during 2014
- Digital propositions to deliver leading technologies to our customers

COMMERCIAL BANKING

- Investing in product and digital capabilities, and the network
- Further momentum in SME and Mid Markets, with above market loan growth
- Increasing share of wallet in Global Corporates and Financial Institutions

INSURANCE

- Developing pensions, protection, annuities propositions and home insurance
- Scottish Widows re-launched demonstrating our commitment to this iconic brand as a specialist retirement and protection service provider
- Optimising cash generation, capital position and dividends to Group

CONSUMER FINANCE[1]

- Comprises the Group's credit cards and asset finance businesses
- Developing propositions for individuals and corporates in the cards business
- Growing asset finance businesses via new customer propositions and investment in infrastructure

[1] New division from 2014.

DIVIDEND POLICY

Reflects substantial progress and confidence in the future

LLOYDS BANKING GROUP

- SUBSTANTIAL PROGRESS ON STRATEGIC PLAN
- IMPROVED FINANCIAL PERFORMANCE
- STRONG CAPITAL POSITION

- **PRA confirmed it will consider dividend applications in line with normal procedures**
- **We expect to apply to the PRA in H2 2014 to restart dividend payments, at a modest level**
- **Over the medium term, we aim to have a progressive dividend policy, moving to a payout ratio of at least 50% of sustainable earnings**

SUMMARY

- Supporting our customers and helping Britain prosper as the economic recovery gathers momentum; increasing lending to our core customers
- Significantly improved financial performance, and capital substantially strengthened, despite legacy charges
- Further simplifying and de-risking the Group, to focus on our core franchise
- Our differentiated business model is well positioned to deliver strong shareholder returns above the cost of equity
- Expect to apply to the PRA in second half of 2014 to restart dividend payments

SIGNIFICANT PROGRESS ON OUR STRATEGY; CONFIDENT IN OUR FUTURE

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

FORWARD LOOKING STATEMENTS

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BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on a underlying basis and include certain income statement, balance sheet and regulatory capital analysis between core and non-core portfolios to enable a better understanding of the Group's core business trends and outlook. Please refer to the Basis of Presentation in the 2013 Full-Year Results which sets out the principles adopted in the preparation of the underlying basis of reporting as well as certain factors and methodologies regarding the allocation of income, expenses, assets and liabilities in respect of the Group's core and non-core portfolios.

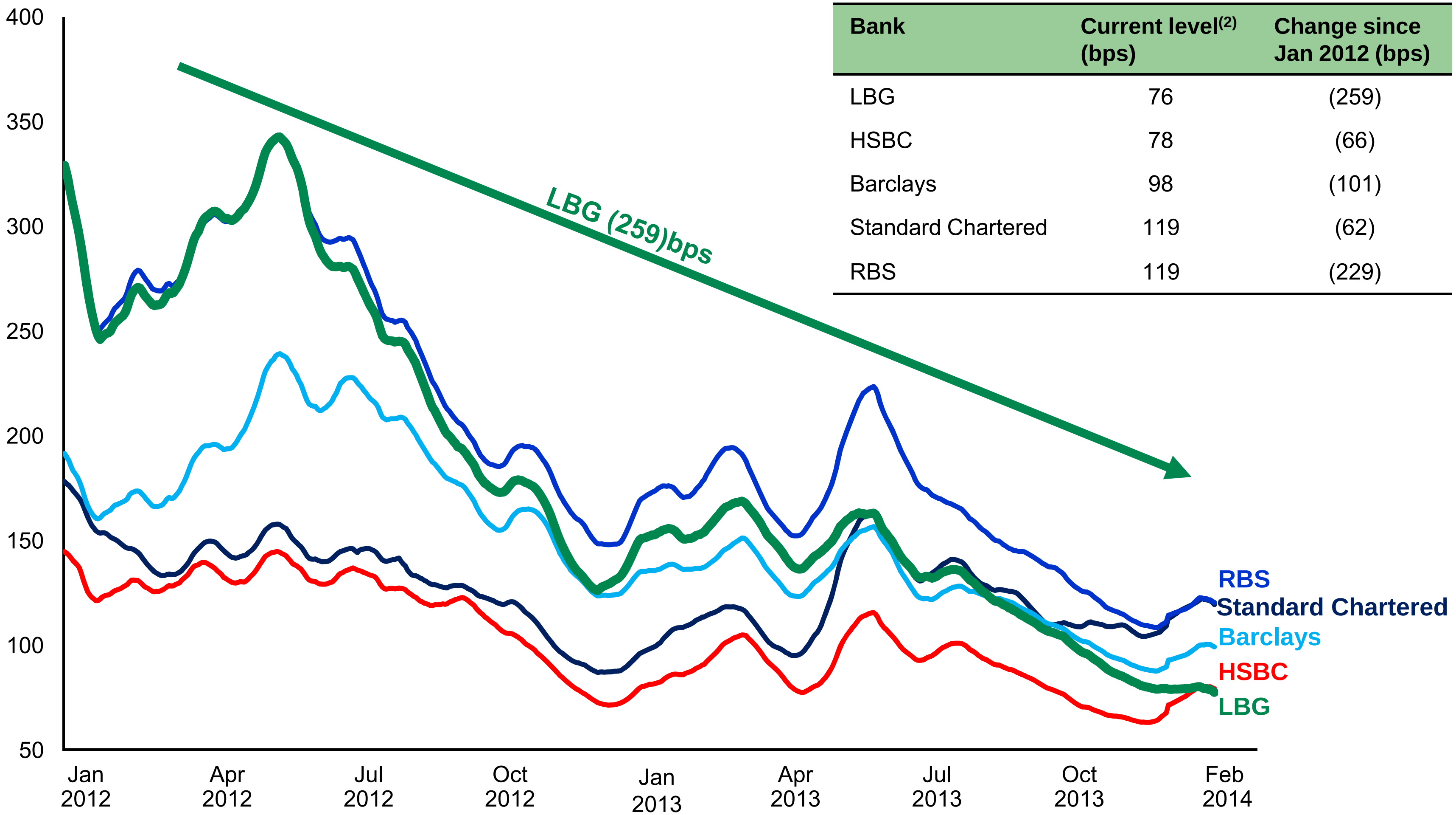
APPENDIX

LOW RISK BUSINESS MODEL

Increasing recognition of balance sheet strength and de-risking

LLOYDS BANKING GROUP

UK BANK CDS[1]

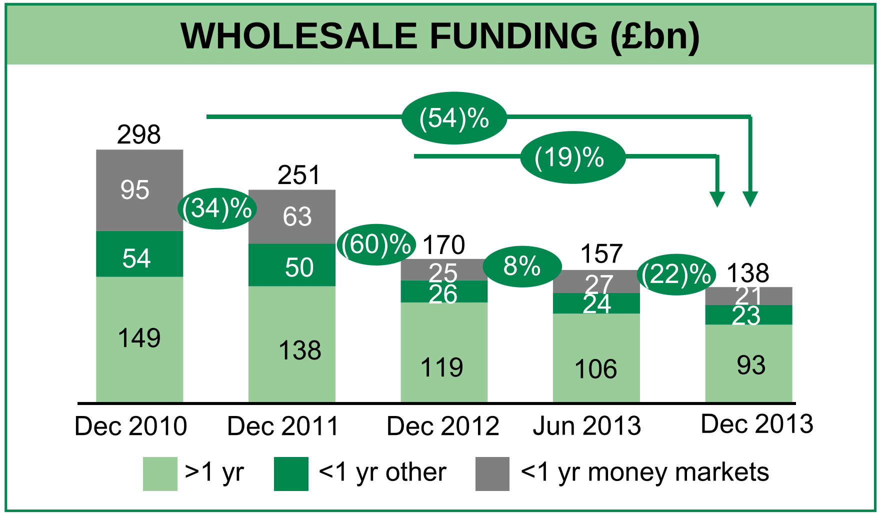


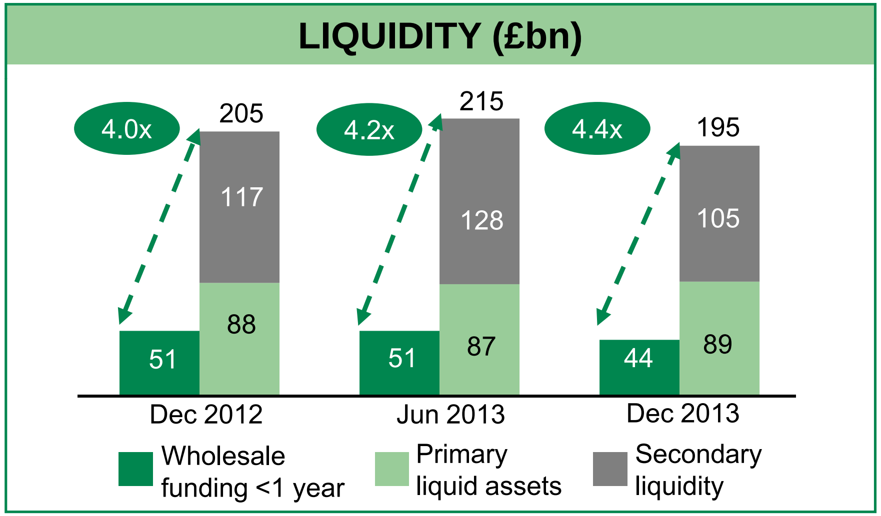
Bank	Current level[2] (bps)	Change since Jan 2012 (bps)
LBG	76	(259)
HSBC	78	(66)
Barclays	98	(101)
Standard Chartered	119	(62)
RBS	119	(229)

(1) Source: Bloomberg 5-year senior mid (4 week rolling average). (2) As at 10 February 2014.

BALANCE SHEET FURTHER STRENGTHENED

Funding transformation substantially complete; liquidity coverage further improved





- **Wholesale funding reduced by £32bn in 2013**
- **Short-term funding 32% of total wholesale funding**
- **LTRO fully repaid**

- **Strong primary liquidity, substantially in excess of short-term funding requirement**
- **No material term wholesale funding requirement in second half of 2013**

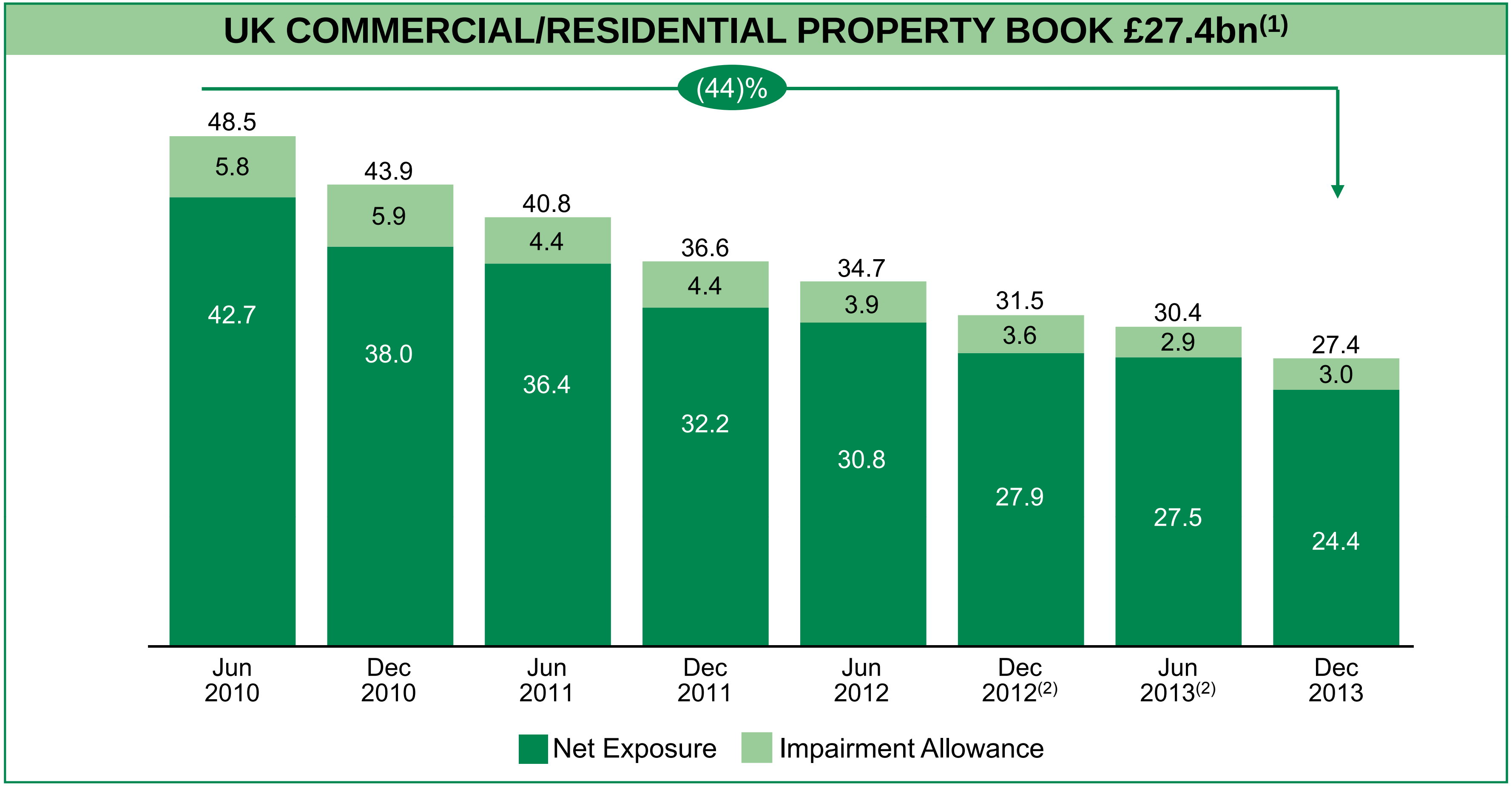
Numbers may not sum due to rounding.

MORTGAGE PORTFOLIO LTVs

	Mainstream Dec 2013	Buy to let Dec 2013	Specialist Dec 2013	Total Dec 2013	Total Dec 2012
Average LTVs	49.5%	66.9%	66.2%	**52.8%**	56.4%
New business LTVs	63.6%	64.0%	n/a	**63.6%**	62.6%
≤80% LTV	73.7%	67.7%	55.1%	**71.4%**	59.6%
>80–90% LTV	14.7%	15.1%	20.1%	**15.1%**	16.8%
>90–100% LTV	7.1%	11.1%	14.3%	**8.3%**	11.9%
>100% LTV	4.5%	6.1%	10.5%	**5.2%**	11.7%
Value >100% LTV	£11.0bn	£3.2bn	£2.5bn	**£16.7bn**	£37.8bn

Indexed by value at 31 December 2013. Specialist lending is closed to new business.

DIRECT REAL ESTATE LENDING
Commercial/Residential property



REDUCTIONS REFLECT STRATEGIC FOCUS

[1] Gross (pre FV adjustment and impairment). Includes Joint Ventures. Excludes c.£9bn of Social Housing exposure and c.£2bn of Housebuilder lending. [2] Change of methodology from registered address of borrower to location of underlying collateral.

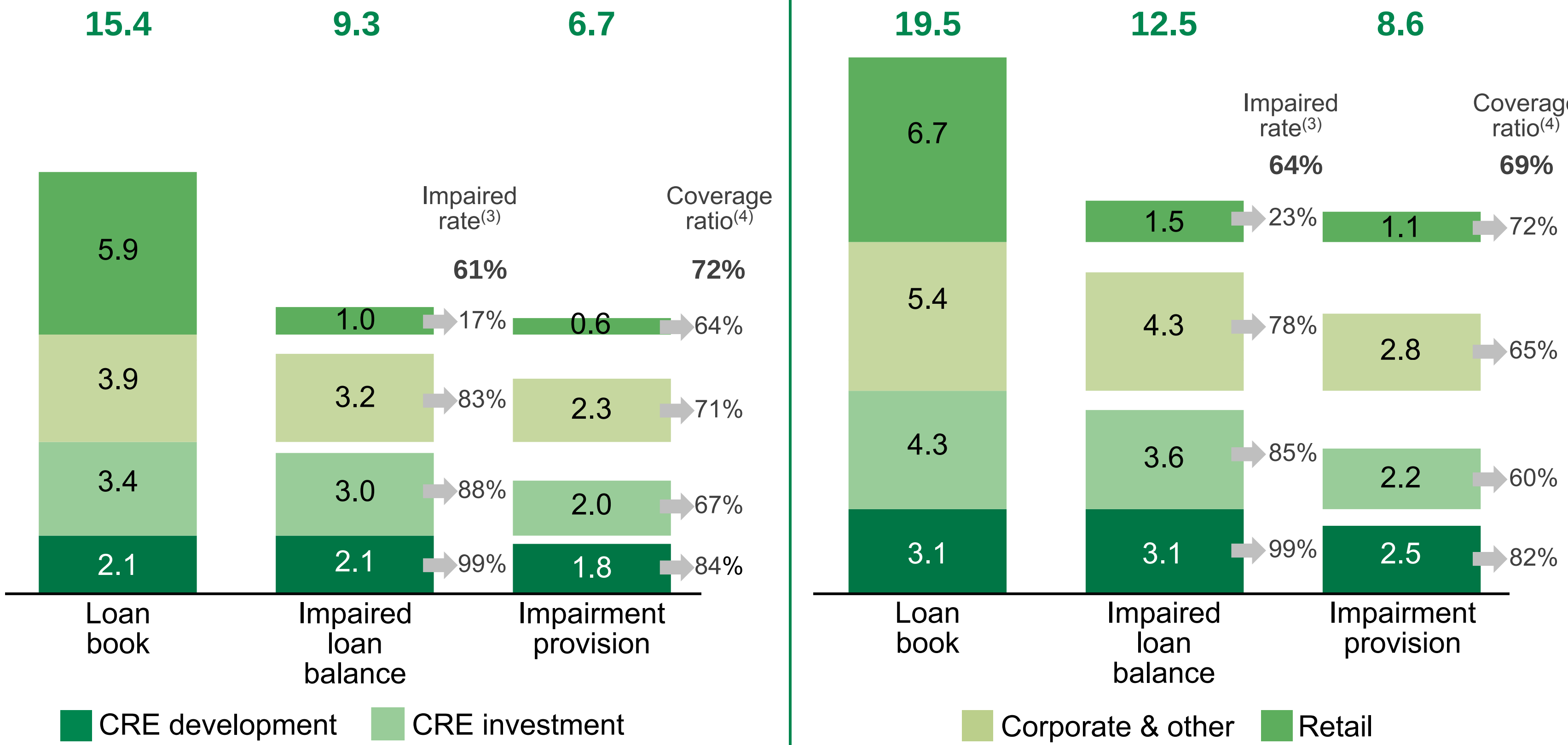
IRISH PORTFOLIO

Robust coverage which minimises downside risks

PORTFOLIO BREAKDOWN (£bn)

Dec 2013
Gross assets: £15.4bn[1] (Net: £8.7bn)
Non-retail gross assets: £9.4bn (Net: £3.4bn)

Dec 2012
Gross assets: £19.5bn[2] (Net: £10.9bn)
Non-retail gross assets: £12.9bn (Net: £5.4bn)

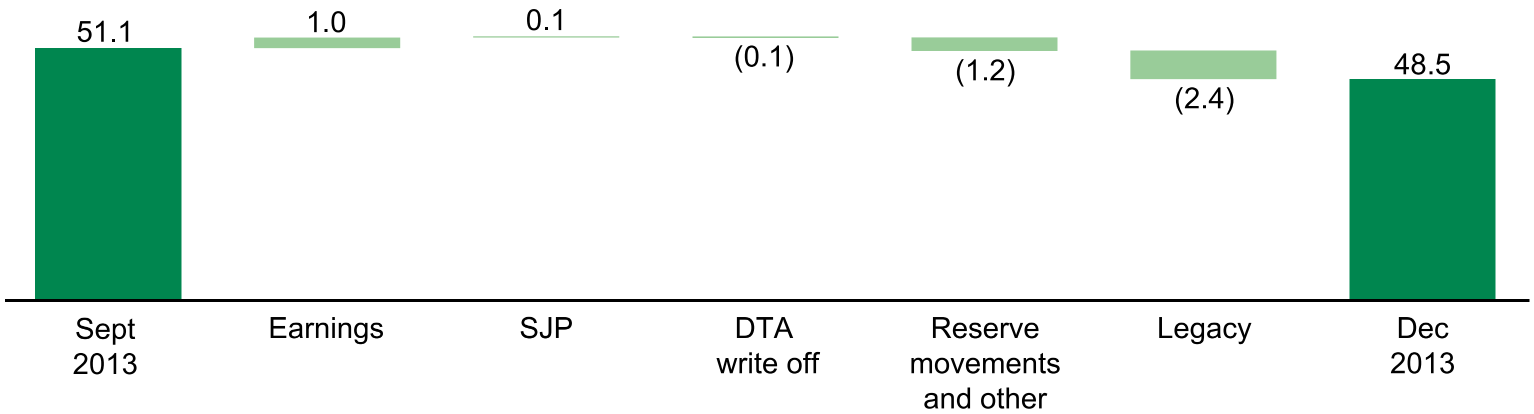


(1) €18.5bn in local currency. (2) €24.0bn in local currency. (3) Impaired loan balance / gross drawn assets. (4) Impairment provision / impaired loan balance.
May not sum due to rounding.

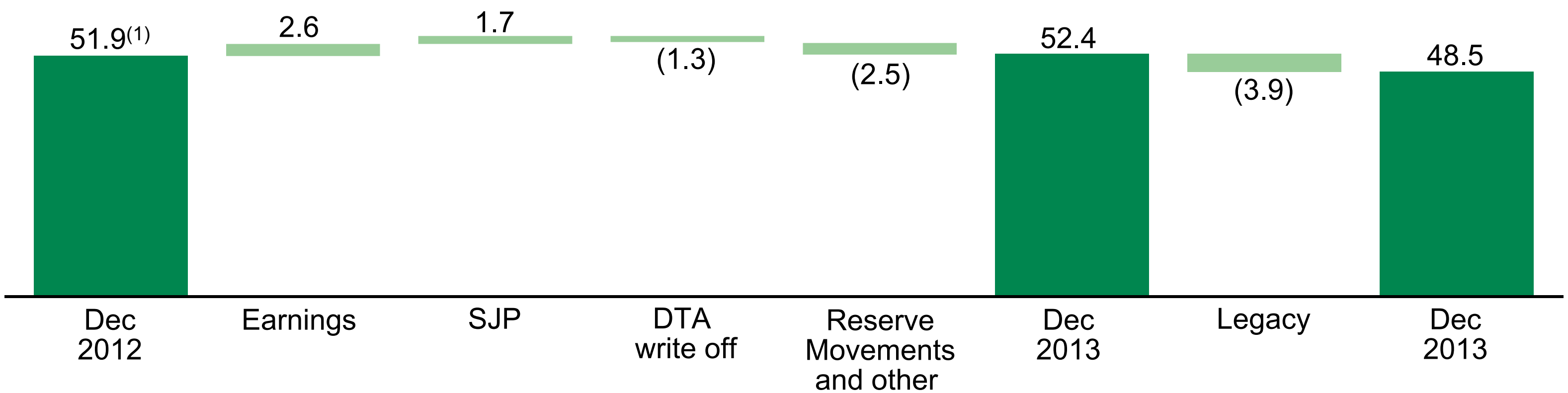
NET TANGIBLE ASSETS

Reduction primarily driven by legacy items

NET TANGIBLE ASSETS PER SHARE (p) – SEPT TO DEC



NET TANGIBLE ASSETS PER SHARE (p) – DEC TO DEC[1]



[1] Restated for IAS19 R.

NON-CORE REDUCTIONS

Non-core reductions continue to be capital accretive

	2013	2012
Loss before tax[1] (£m)	**(1,839)**	(3,315)
Post tax loss → 'capital consumed' (£m)	**(1,411)**	(2,503)
Reduced RWAs (£bn)	**33.9**	35.9
at 10% → 'capital released' (£m)	**3,385**	3,590
Decrease in EEL[2] (£m)	**589**	131
Net capital released (£m)	**2,563**	1,218

Current rules basis of preparation. [1] Non-core underlying loss before tax including loss on net asset sales and fair value unwind. [2] 50% core tier 1 impact.

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