

LLOYDS  
BANKING  
GROUP



# 2013 HALF-YEAR RESULTS

Presentation to Analysts and Investors

1 August 2013



## **GROUP & DIVISIONAL PERFORMANCE HIGHLIGHTS** **António Horta-Osório, Group Chief Executive**

**H1 2013 FINANCIAL RESULTS**  
**George Culmer, Group Finance Director**

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

**SUMMARY AND GUIDANCE**  
**António Horta-Osório, Group Chief Executive**

# KEY HIGHLIGHTS FOR THE FIRST HALF OF 2013

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- 
- Accelerated progress in delivering strategic plan
  - Substantial increase in underlying profit benefiting from income growth of 2%, increased margin of 2.01% and further cost and impairment reductions
  - Statutory profit before tax of £2.1bn
  - Core loan book growth accelerating with core underlying income up
  - Guidance upgraded for margin improvement, cost reduction, non-core asset reduction, and capital build
  - Now expect full year 2013 margin of close to 2.10%
  - Expect <£70bn of non-core assets by end 2013; non retail, non-core assets expected to be <£30bn at end 2013 and <£20bn at end 2014
  - Fully loaded core tier 1 ratio of 9.6%; targeting above 10% by end 2013

# FINANCIAL PERFORMANCE

## Profitability and returns substantially improved

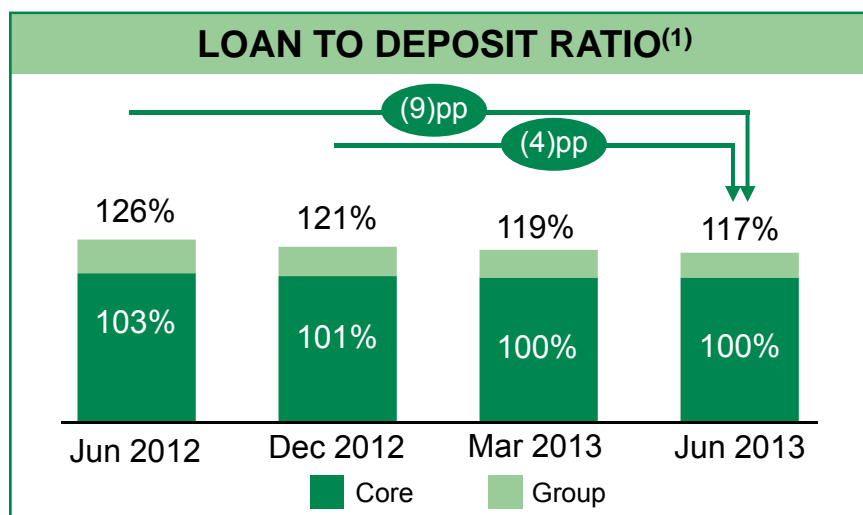
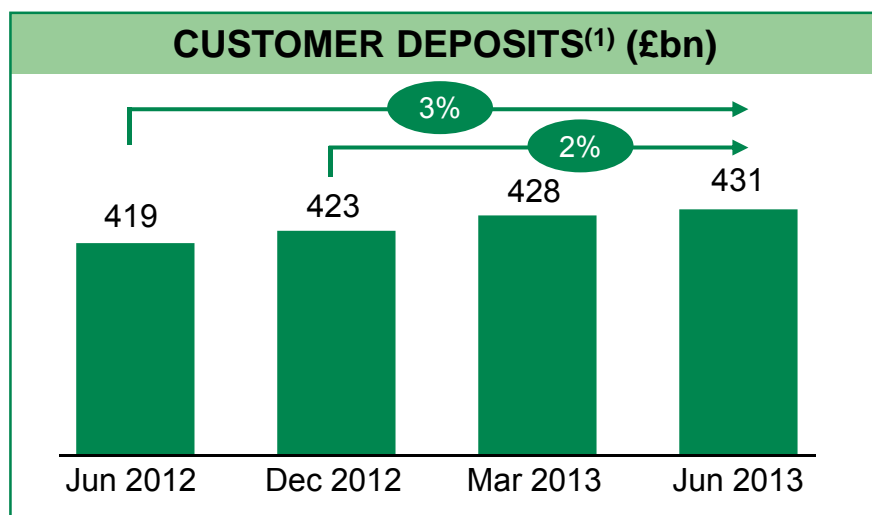
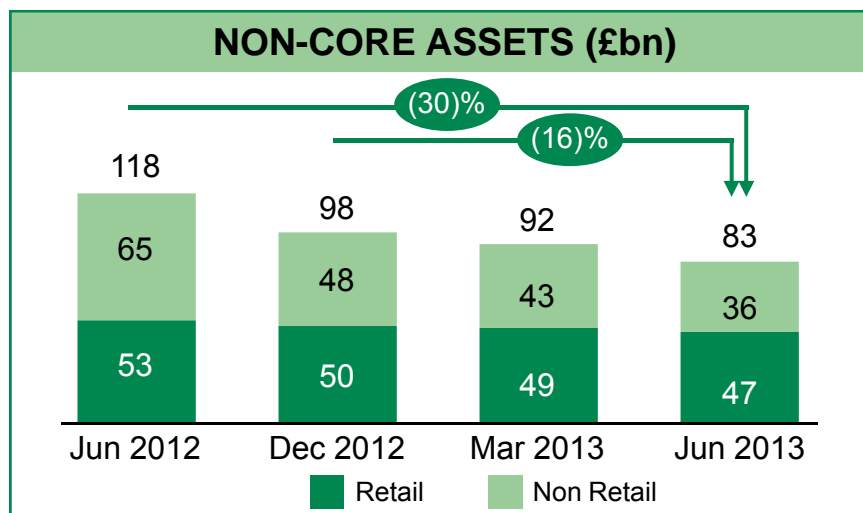
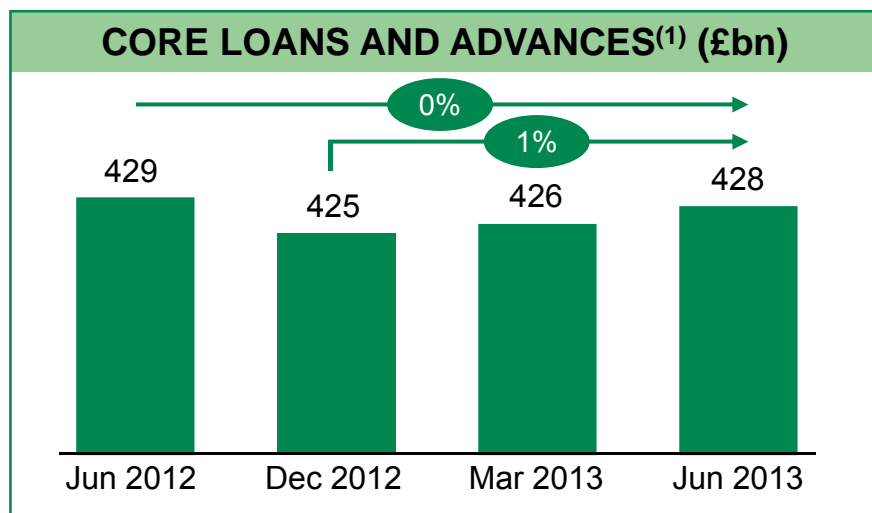
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(£m)	H1 2013	H1 2012	Change %	
<b>Group income</b>	<b>9,464</b>	9,246	2%	<ul style="list-style-type: none"> <li>▪ <b>Substantial increase in Group underlying and statutory profit</b> <ul style="list-style-type: none"> <li>– Core profit increased 26% to £3,696m</li> <li>– Returned to statutory profit: £2,134m</li> </ul> </li> </ul>
Group NIM	<b>2.01%</b>	1.93%	8bp	
Group total costs	<b>(4,749)</b>	(5,045)	6%	<ul style="list-style-type: none"> <li>▪ <b>Group margin ahead of expectations at 2.01%</b></li> </ul>
Group impairment	<b>(1,813)</b>	(3,157)	43%	
<b>Underlying profit</b>				<ul style="list-style-type: none"> <li>▪ <b>Costs further reduced; Simplification run-rate savings increased to £1.16bn at end June 2013</b></li> <li>▪ <b>Further substantial reduction in impairment</b> <ul style="list-style-type: none"> <li>– Driven by 58% reduction in non-core</li> </ul> </li> </ul>
Group	<b>2,902</b>	1,044	178%	
Core	<b>3,696</b>	2,931	26%	
<b>Statutory PBT</b>	<b>2,134</b>	(456)		<ul style="list-style-type: none"> <li>▪ <b>Returns further improved, with Group and core returns above cost of equity</b></li> </ul>
<b>RoRWA</b>				
Group	<b>1.95%</b>	0.61%	134bp	
Core	<b>3.16%</b>	2.44%	72bp	

# BALANCE SHEET

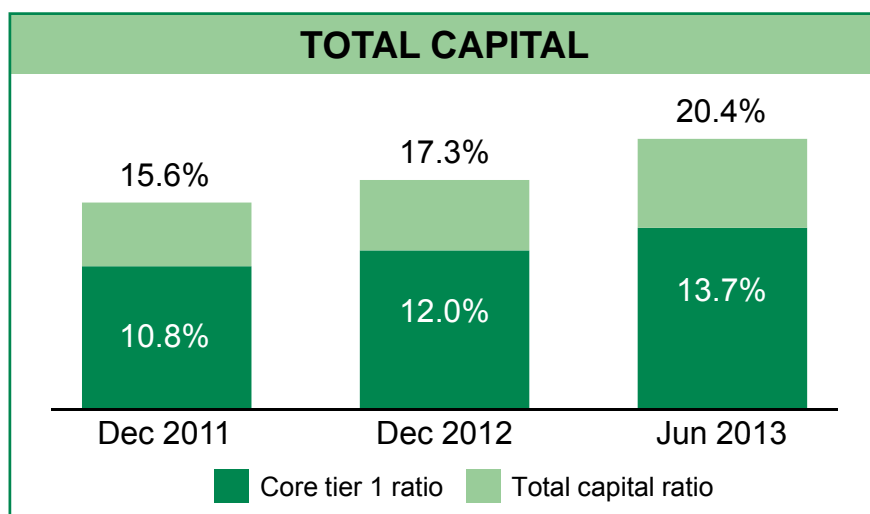
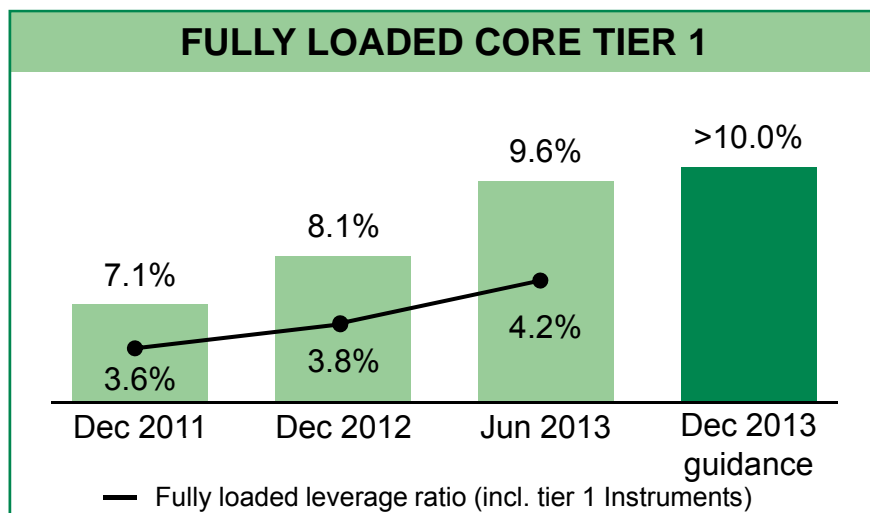
Core loan book continuing to grow; non-core assets substantially reduced; funding position further strengthened



<sup>(1)</sup> Excluding reverse repos and repos.

# BALANCE SHEET

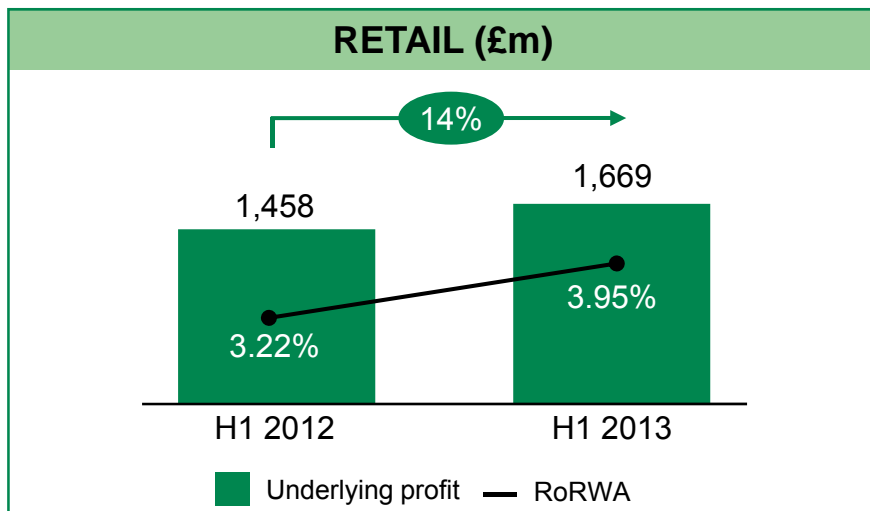
## Substantial improvement in capital ratios



- **Remain confident in capital position**
  - Now expect fully loaded core tier 1 ratio of above 10% at end 2013
- **Strongly capital generative strategy**
  - Core business capital generation
  - Capital accretive non-core reduction
  - Other disposals (sales of St. James's Place shares and US RMBS) and £1.6bn insurance dividend
- **Expect to meet PRA's requirement without equity issuance or additional contingent capital**
- **Strong total capital position, substantially in excess of ICB's PLAC recommendation**
- **Fully loaded leverage ratio of 4.2% at end June 2013 including tier 1 capital instruments, 3.5% excluding tier 1 capital instruments**

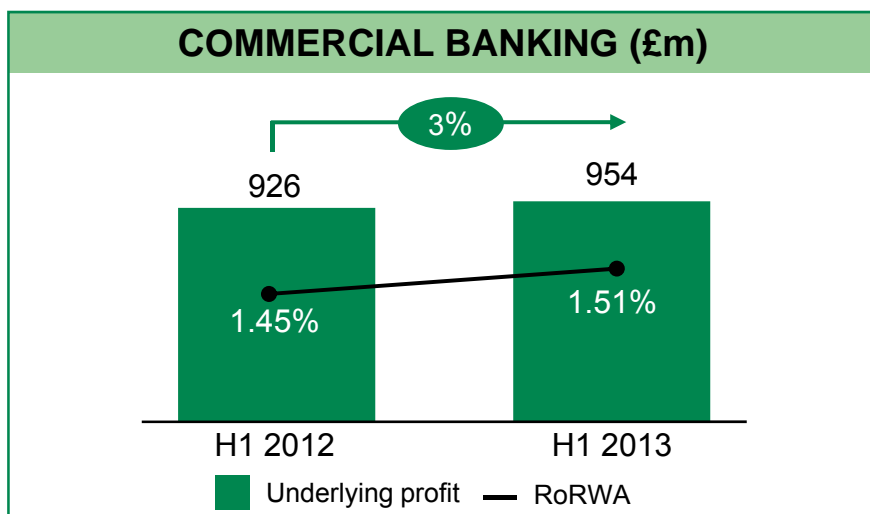
# CORE DIVISIONAL FINANCIAL PERFORMANCE

## Strong Retail returns and improved Commercial Banking performance



### Retail

- Underlying profit up 14% driven by reduction in costs and impairments
- Stable underlying income as decrease in assets offset by margin improvement
- Strong cost control
- Credit performance remains strong with impairment down 20%



### Commercial Banking

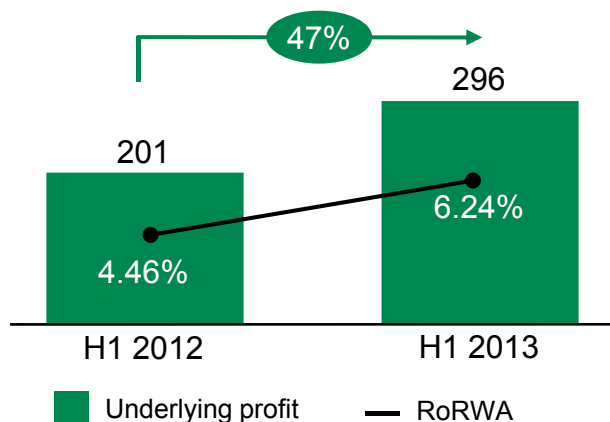
- Momentum in delivery of strategy reflected in interest income and other income growth
- Improved profits and returns driven by 5% underlying income growth
- Core lending increasing

# CORE DIVISIONAL FINANCIAL PERFORMANCE

## Increased returns in Wealth and Asset Finance; strong performance by Insurance



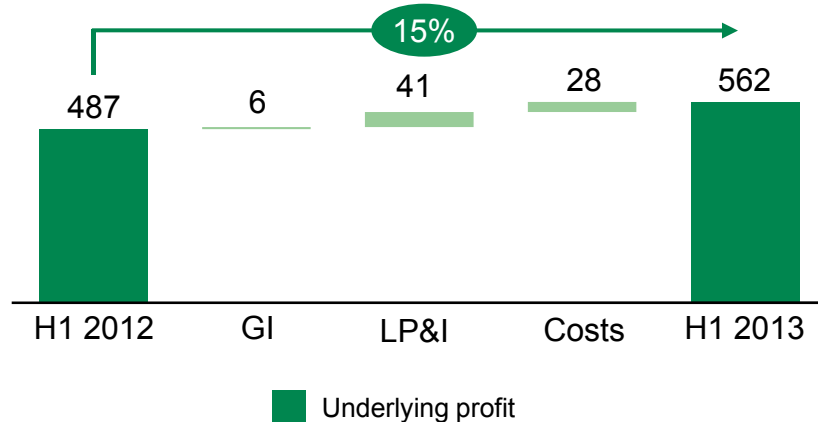
### WEALTH, ASSET FINANCE & INTERNATIONAL (£m)



### Wealth, Asset Finance & International

- Increased profitability and returns driven by strong income performance and cost reductions
- Core income up 5% driven by strong and improving volumes and margins, despite reduced SJP stake
- Wealth profit excluding SJP up 39% and Asset Finance up 59%

### INSURANCE (£m)



### Insurance

- Strong underlying profit performance driven by reduced costs and improved LP&I performance
- Costs down 8% reflecting synergies delivered under new Insurance structure
- LP&I underlying profit up £41m supported by assumption changes and a strong performance in corporate pensions

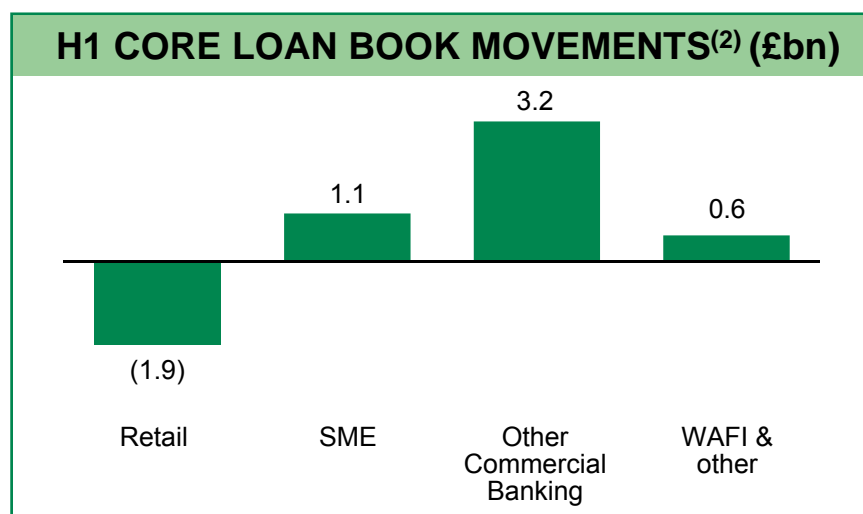
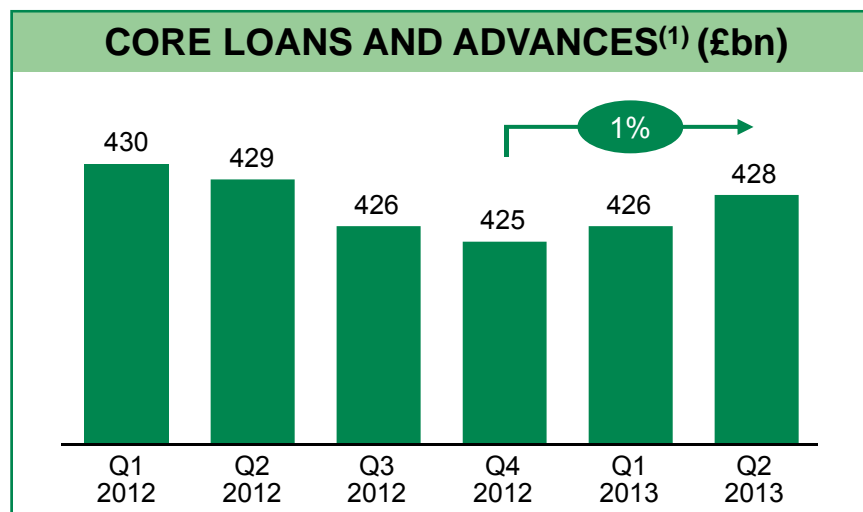


# SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY

## Return to growth in core loan book, ahead of guidance



- Committed over £24bn to UK customers through Funding for Lending**
  - Net growth in FLS lending in H1
  - Scheme now extended to January 2015
- Supporting our corporate clients**
  - Over £1bn committed to UK manufacturing in last nine months, ahead of target
  - New Mid-Corporate Client charter launched
- Continued support for UK SMEs**
  - Net growth in lending of 5% in last 12 months, against market contraction of 3%
  - Supported 65,000 start-ups in H1
- Supporting the UK housing market**
  - Helped more than 33,000 customers buy their first home in H1; 1 in 4 first-time buyers; targeting around 60,000 for full-year
  - Implementing the Help to Buy scheme ahead of full launch in January 2014



<sup>(1)</sup> Excluding reverse repos. <sup>(2)</sup> Jun 2013 vs Dec 2012.

# AGENDA

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**ACHIEVEMENTS AND GROUP PERFORMANCE**  
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**H1 2013 FINANCIAL RESULTS**  
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**SUMMARY**  
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# FINANCIAL PERFORMANCE

## Substantial increase in Group underlying and statutory profit

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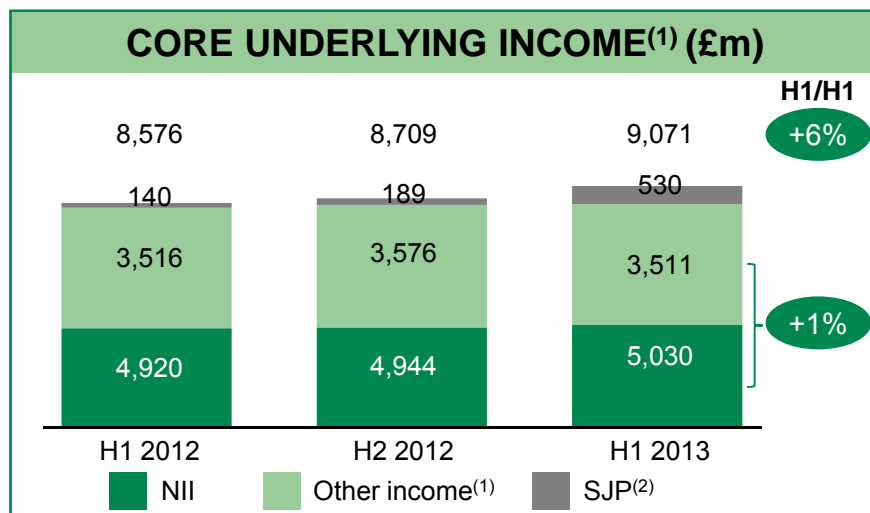
(£m)	GROUP		
	H1 2013	H1 2012	Change %
Net interest income	5,206	5,215	–
Other income <sup>(1)</sup>	4,258	4,031	6%
<b>Underlying income</b>	<b>9,464</b>	<b>9,246</b>	<b>2%</b>
Total costs	(4,749)	(5,045)	6%
Impairment	(1,813)	(3,157)	43%
<b>Underlying profit</b>	<b>2,902</b>	<b>1,044</b>	<b>178%</b>
Core underlying profit	3,696	2,931	26%
Non-core underlying loss	(794)	(1,887)	58%
Asset sales and volatile items	897	80	
Simplification / Verde	(786)	(513)	
Legacy items	(575)	(1,075)	
Other items	(304)	8	
<b>Statutory PBT</b>	<b>2,134</b>	<b>(456)</b>	
Tax	(556)	(206)	
<b>Profit after tax</b>	<b>1,578</b>	<b>(662)</b>	

- Substantially improved underlying profitability, driven by income growth and further reductions in costs and impairments
- Asset sales includes £780m from Government bond sales
- Volatile items includes £485m of positive insurance volatility
- Simplification costs of £409m with run-rate savings of £1.16bn
- Verde costs of £377m
- Legacy costs of £575m, including an additional £500m PPI provision
- Other items include a pension charge of £104m (gain of £250m in H1 2012)

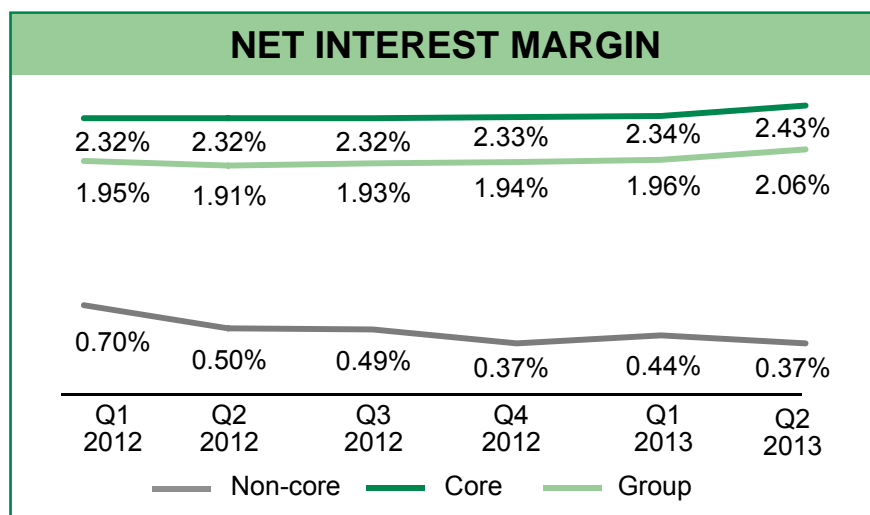
<sup>(1)</sup> Net of insurance claims.

# FINANCIAL PERFORMANCE

## Stabilising income trends and improved margin



- H1 2013 core income of £9,071m, up 6% year-on-year
- Income up 1% year-on-year excluding St. James's Place effects, with NII up 2% and OOI in line

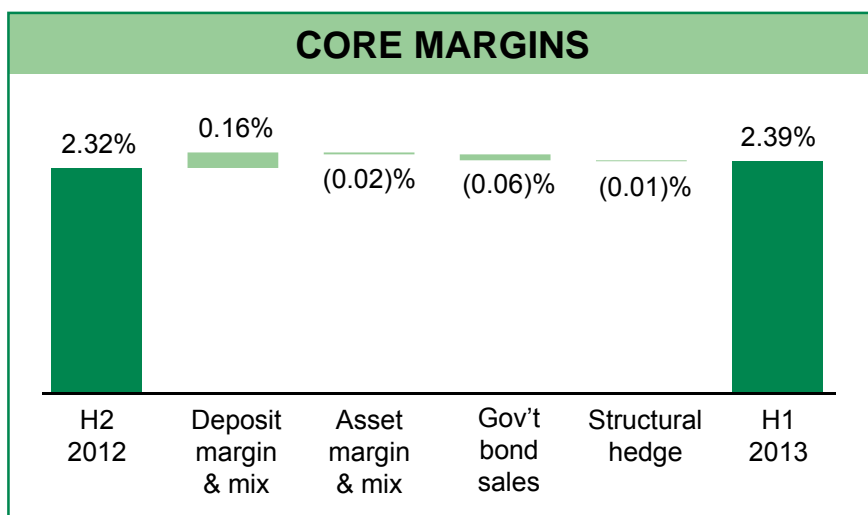
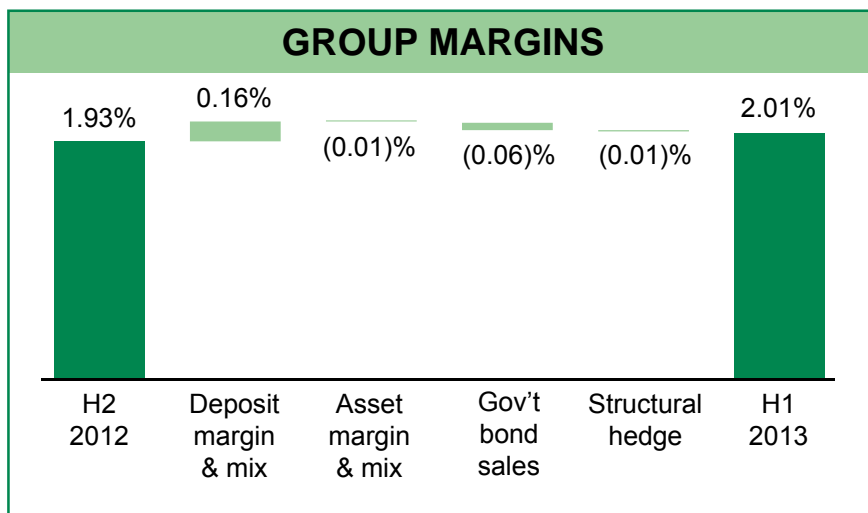


- Group margin improved to 2.06% in the quarter
- Now guiding to a full year margin of close to 2.10%
- Core NIM increased to 2.43% driven by improved deposit margin

<sup>(1)</sup> Net of insurance claims. <sup>(2)</sup> Deconsolidated from 1 April 2013.

# FINANCIAL PERFORMANCE

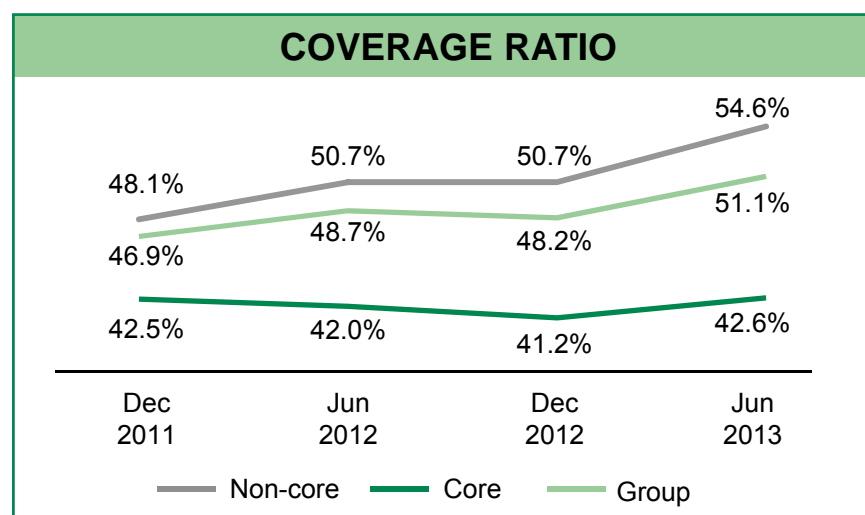
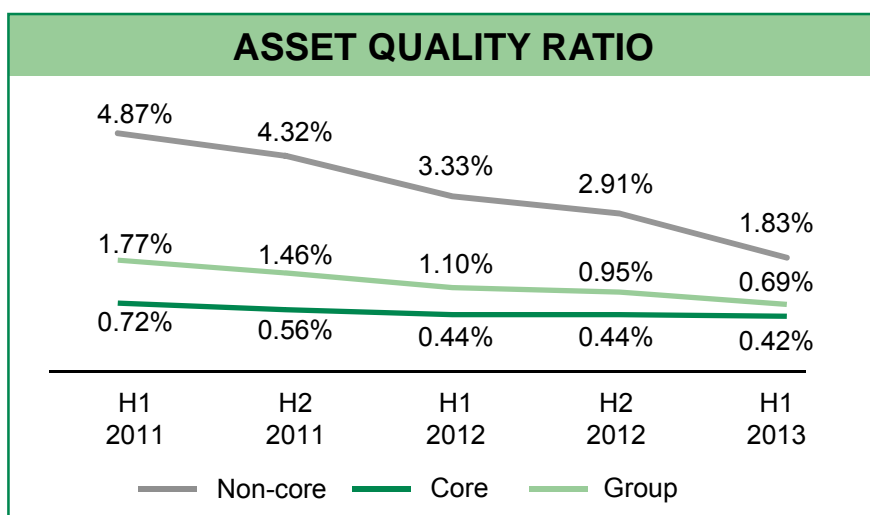
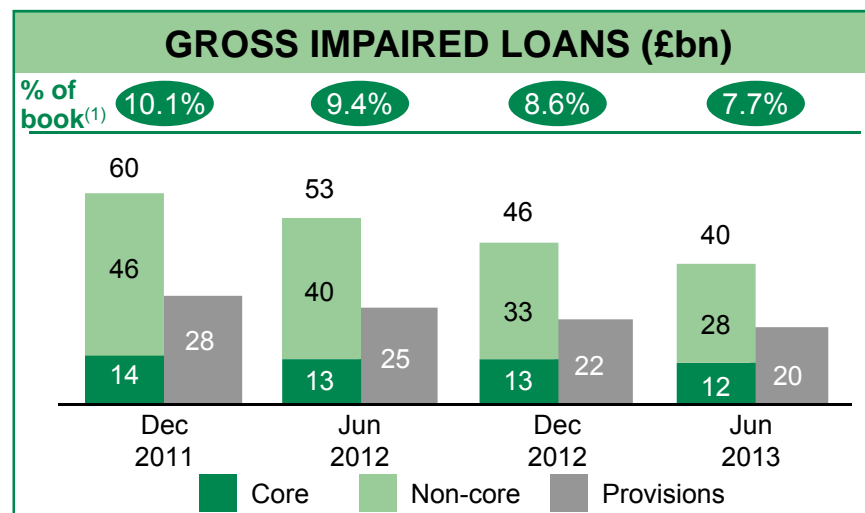
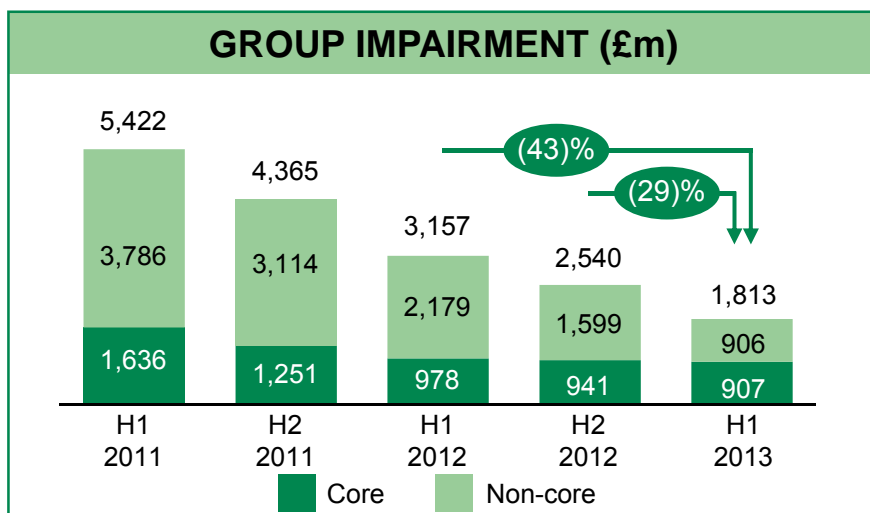
## Improving Group margin driven by positive deposit margin



- Margin improvement in Group and core mainly driven by deposit margin and mix
- Reduction in asset prices, substantially offset by lower funding costs and for Group margin, non core reduction
- Government bond sale effect in line with expectations; FY guidance of 8bps unchanged
- Taken advantage of rising rate expectations to eliminate structural hedge impact

# FINANCIAL PERFORMANCE

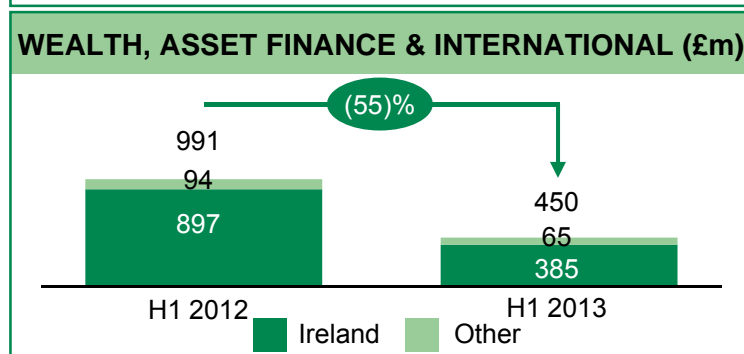
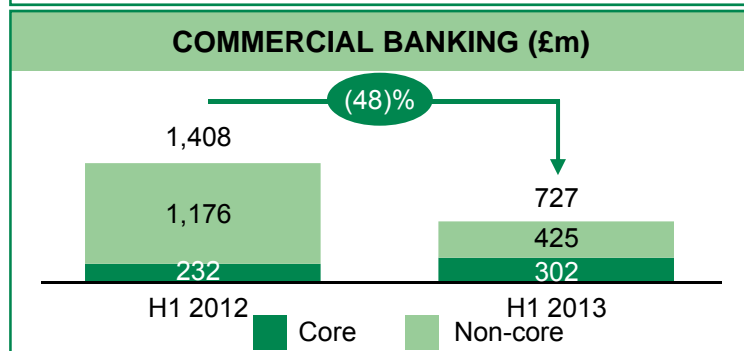
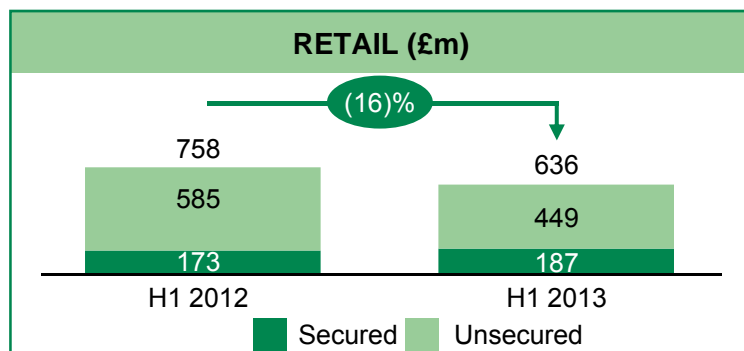
## Continued progress towards a lower risk business



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

# FINANCIAL PERFORMANCE

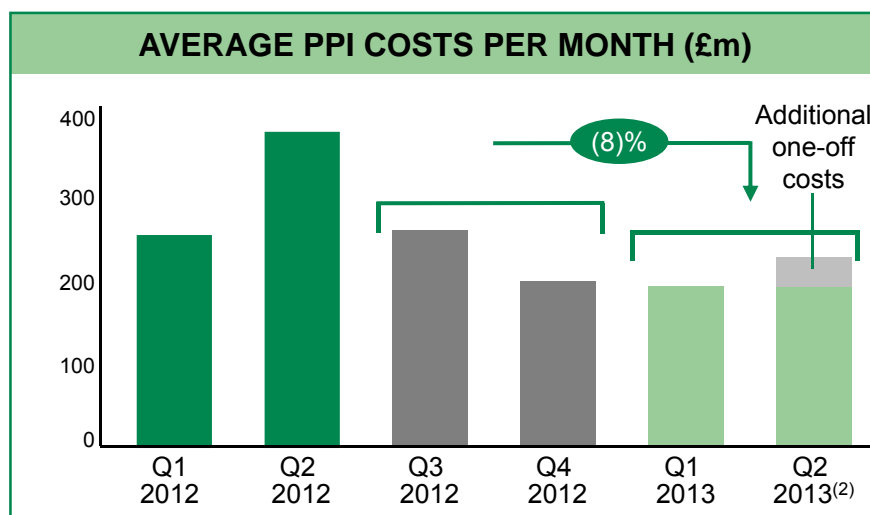
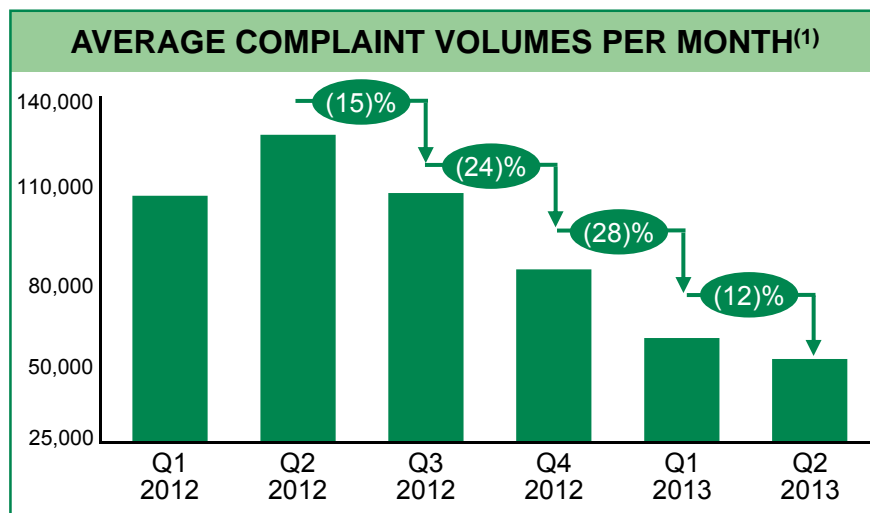
## Reduction in impairment charge across all divisions



- Retail impairment down 16% largely driven by reduction in the unsecured book
- Unsecured charge reduced 23% reflecting strong performance across all portfolios
- Secured charge in line with 2012 experience
- Reduction driven by lower charges in the non-core portfolios
- Increase in core primarily reflects lower releases in H1 2013
- AQR improving
- Substantial reduction primarily driven by lower charges in the non-core Irish portfolio

# LEGACY ISSUES

## PPI complaint volumes continuing to decline but costs slightly higher than expected



- **Complaint volumes continue to fall**
  - Down c.40% on H2 2012
  - Down 12% in the last quarter
  
- **H1 2013 costs slightly higher than expected**
  - Acceleration of FOS cases
  - VAT Ruling
  - Uphold and redress costs
  - Administration costs
  
- **Additional provisions for:**
  - Customer redress costs
  - Administration costs
  - FCA investigation
  
- **Risks and uncertainties remain**

<sup>(1)</sup> Excludes complaints where no PPI policy is held. <sup>(2)</sup> Additional one-off costs include acceleration of FOS cases and VAT Ruling.



# BALANCE SHEET HIGHLIGHTS

## Strong balance sheet

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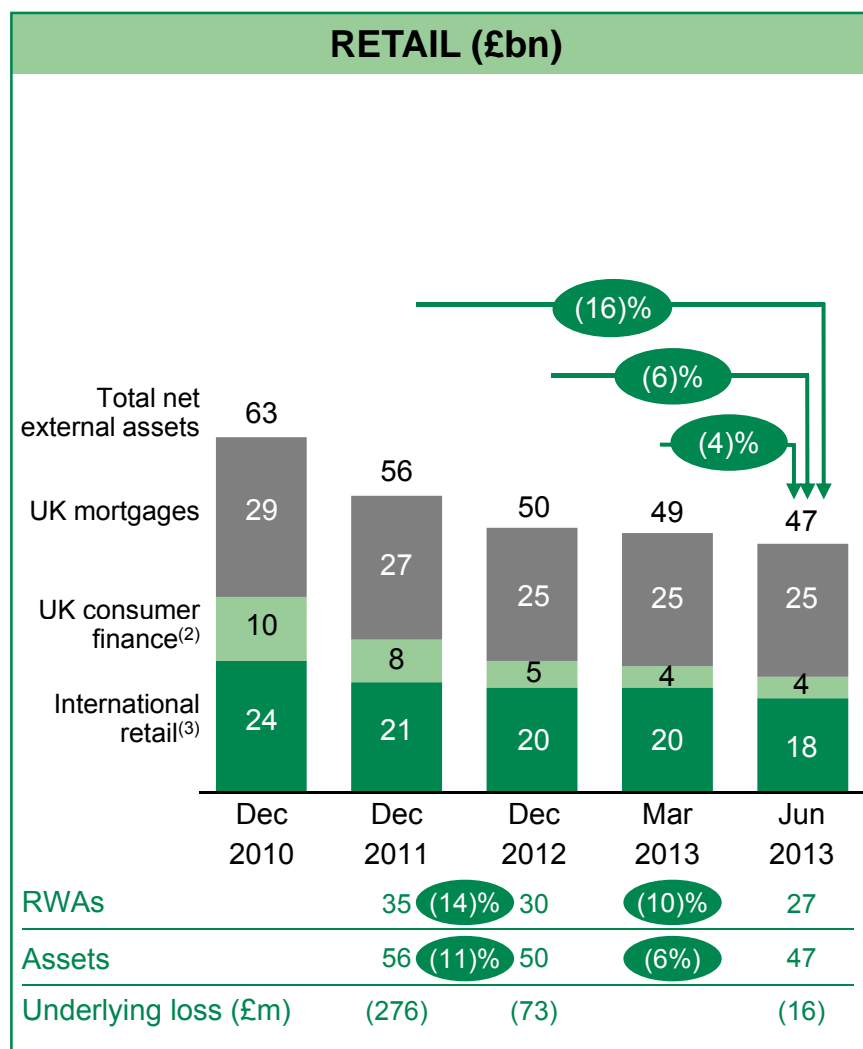
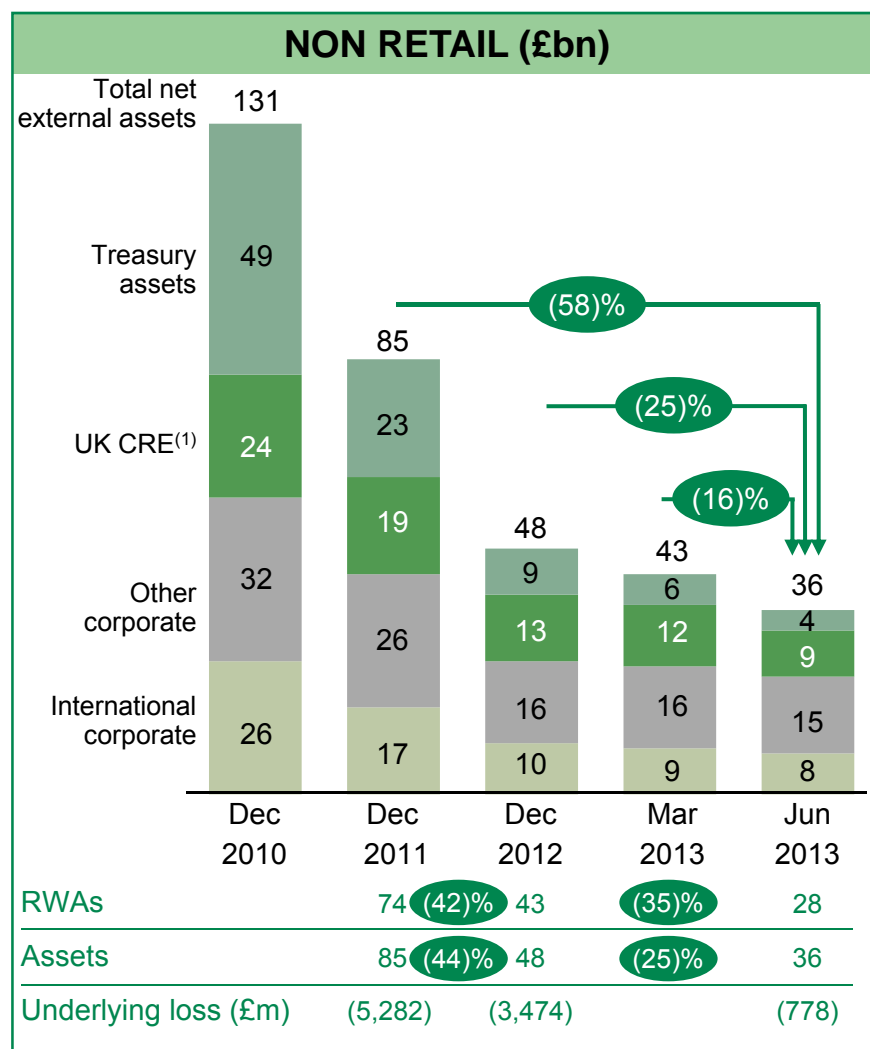
(£bn)	GROUP				(£bn)	QoQ Movements		
	Jun 2013	Dec 2012	Jun 2012	Change % Jun/Jun		H1 2013	Q2 2013	Q1 2013
<b>ASSETS</b>					<b>SOURCE OF FUNDS</b>			
Core loans and advances <sup>(1)</sup>	428	425	429	–	Non-core asset reduction	16	10	6
Non-core assets	83	98	118	(30)%	Primary liquid asset decrease	1	(5)	6
Primary liquid assets	87	88	105	(18)%	Deposit growth	8	2	6
Total banking assets <sup>(2)</sup>	636	657	703	(9)%	Other movements	2	3	(1)
						<b>27</b>	<b>10</b>	<b>17</b>
<b>LIABILITIES</b>					<b>USE OF FUNDS</b>			
Customer deposits <sup>(1)</sup>	431	423	419	3%	Core loans and advances	3	2	1
Wholesale funding	157	170	214	(27)%	Wholesale funding	13	5	8
					LTRO repayment	11	3	8
<i>Core risk-weighted assets</i>	<b>234</b>	237	239	(2)%		<b>27</b>	<b>10</b>	<b>17</b>
<i>Non-core risk-weighted assets</i>	<b>55</b>	73	93	(41)%				
<i>Risk-weighted assets</i>	<b>289</b>	310	333	(13)%				

<sup>(1)</sup> Excludes reverse repos and repos.

<sup>(2)</sup> Includes Total Group Assets primarily excluding balances in the Insurance business and the fair value of derivative assets and liabilities. Numbers may not sum due to roundings. 16

# NON-CORE PORTFOLIO

Further capital accretive reduction of £17bn (£16bn after currency effects), driven by non-retail reduction

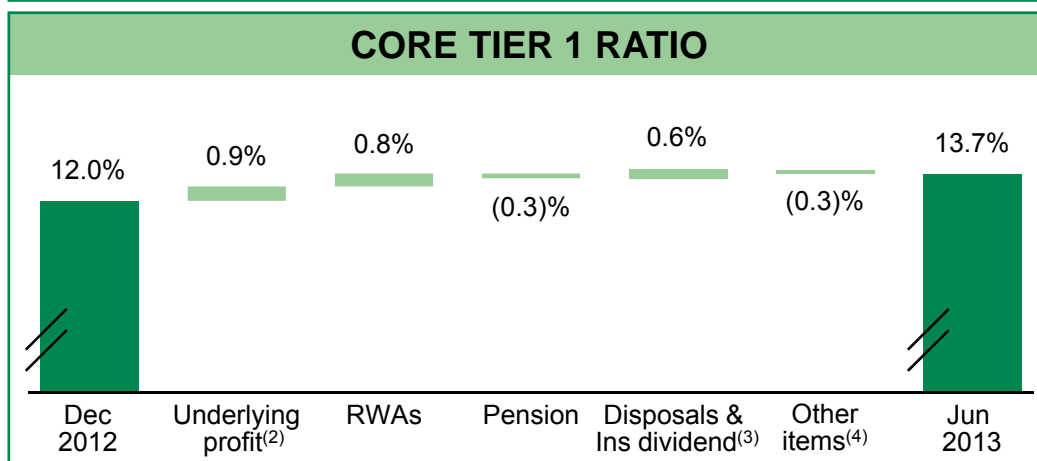
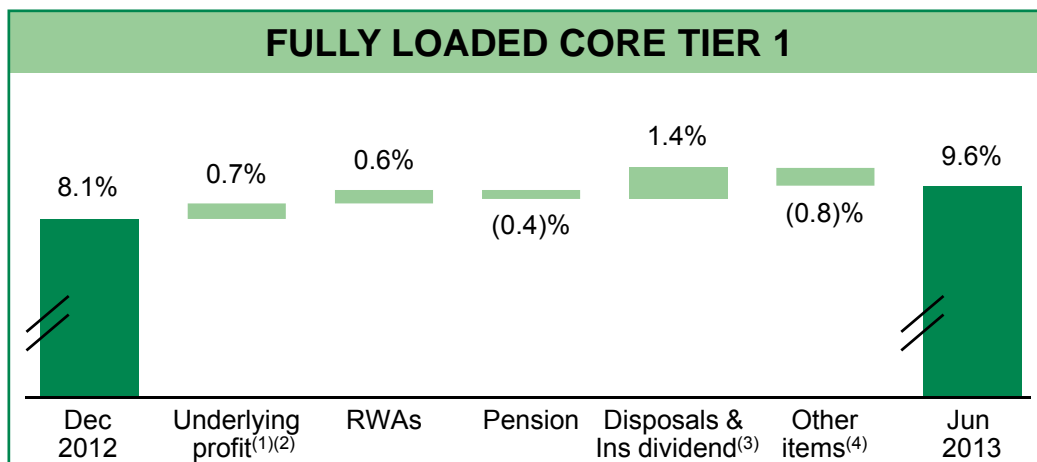


<sup>(1)</sup> UK CRE includes all non-core CRE BSU (£8.2bn) and other non-core CRE (£1.0bn). <sup>(2)</sup> Asset finance included in UK consumer finance.

<sup>(3)</sup> International retail includes Dutch & Irish mortgages and Australia asset finance in June 2013.

# FURTHER STRENGTHENING THE BALANCE SHEET

## A strongly capital generative business



- Estimated fully loaded CRD IV core tier 1 ratio improved to 9.6%, ahead of previous guidance
- Strong tier 1 leverage ratio of 4.2%, 3.5% excluding tier 1 capital
- Core tier 1 ratio improved to 13.7%
- Expect to commence discussions with regulators in the second half of this year on timetable and conditions for dividend payments

**Expect fully loaded core tier 1 ratio to be above 10% by end 2013**

<sup>(1)</sup> Includes impact of retaining profit within Insurance business under CRD IV. <sup>(2)</sup> Excludes underlying profit relating to disposals of St. James's Place shares and US RMBS. <sup>(3)</sup> Disposals of St. James's Place shares and US RMBS and £1.6bn dividend from Insurance business. <sup>(4)</sup> Includes other statutory items (including Simplification and legacy costs) and movements in CRD IV adjustments to capital (including material holdings, excess expected loss, deferred tax and available for sale reserve).



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**ACHIEVEMENTS AND GROUP PERFORMANCE**  
António Horta-Osório, Group Chief Executive

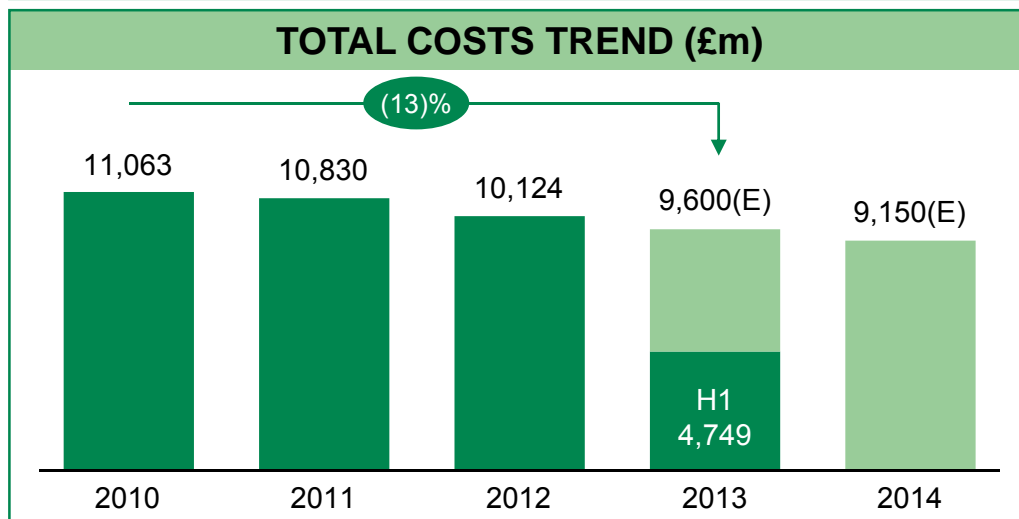
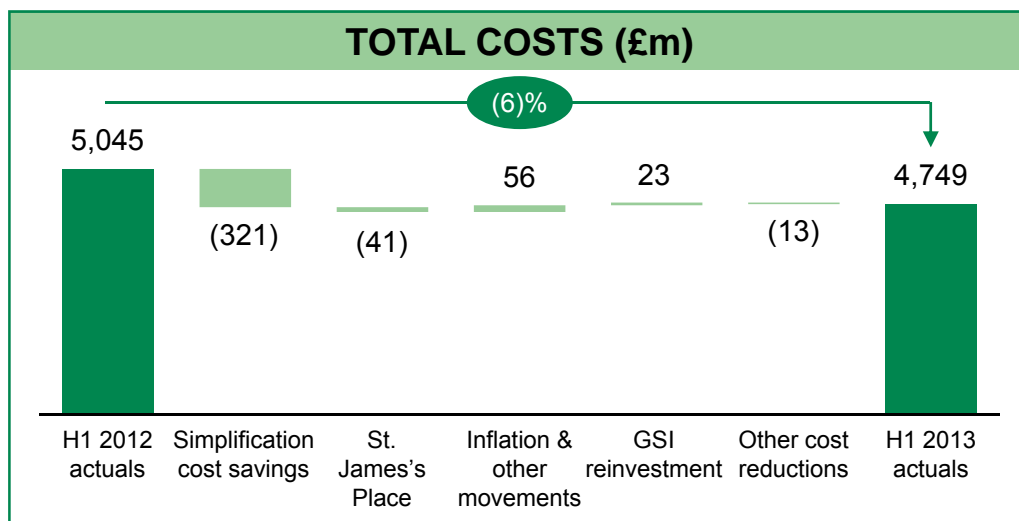
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António Horta-Osório, Group Chief Executive

# FINANCIAL PERFORMANCE

## Maintaining the reducing cost trend



- 6% cost reduction versus H1 2012**
  - Driven by strong Simplification savings
  - Investment in strategic initiatives up £23m to £158m in H1 2013
- Projected costs still expected to be around £9.6bn in 2013**
  - Projected costs of around £9.15bn in 2014
- Strong downward cost momentum continues**

# STRONG DELIVERY CONTINUES

Simplification continues to improve the customer experience, examples include...



## AUTOMATED ISA TRANSFER

- Over 120,000 ISA transfers 'in' received YTD through new automated process
- 80% of transfers completed at 'first point of contact' in branch or by phone

## FIXED TERM DEPOSITS

- Fully automated process for over 500k savings maturities per year
- Set up time reduced from 20 minutes to 3 minutes

## DIGITAL

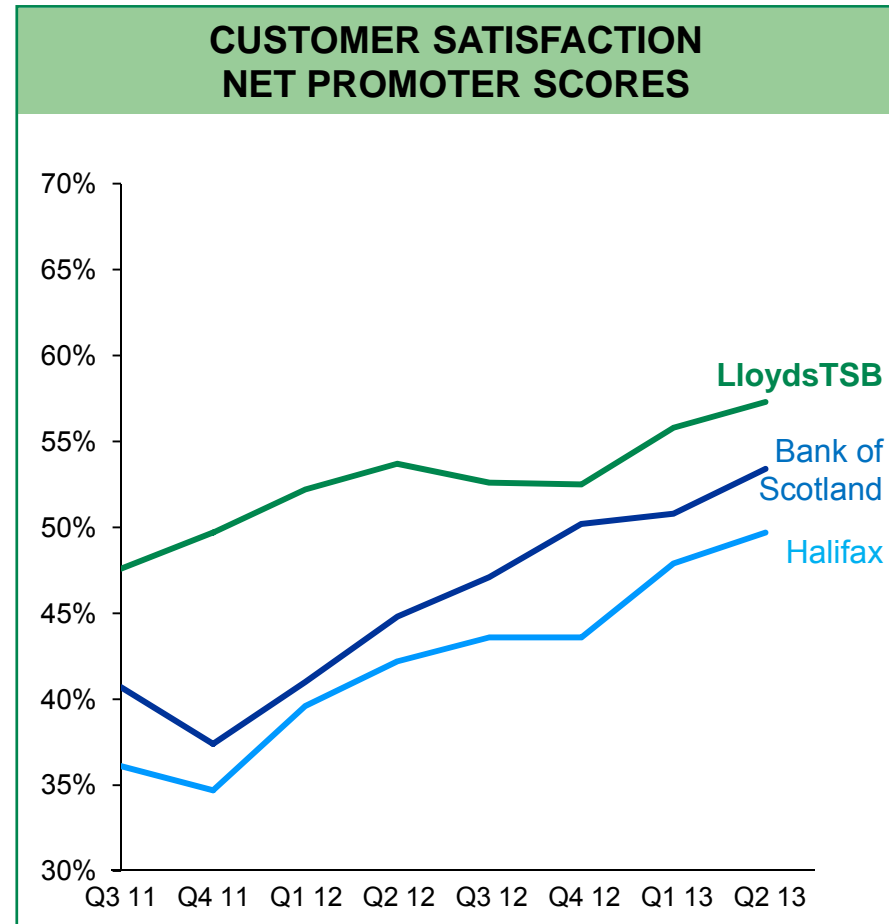
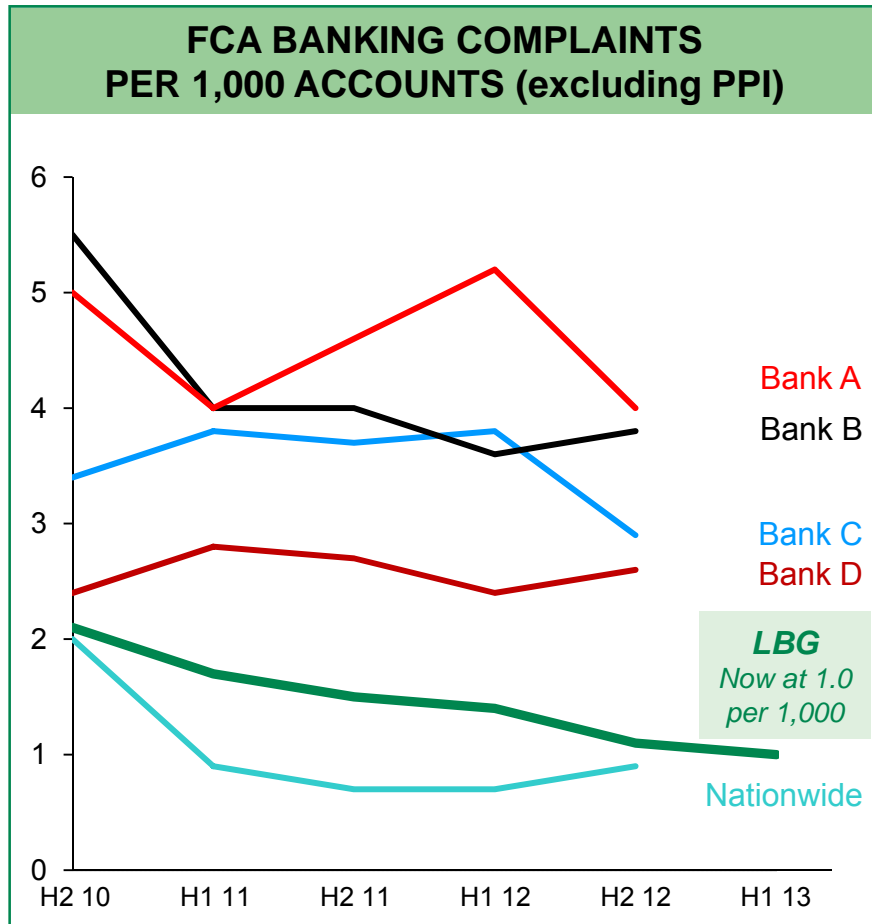
- Over 10m active internet banking and 3.7m mobile banking users
- New peak of log-ons in single day – 4.97m on 28 March
- Mobile transactions doubled since H1 2012

## TELEPHONE BANKING

- Further IVR enhancements – simplified menu structures, increased servicing functionality and improved call routing
- Nearly two-thirds of all calls fulfilled at first point of contact in IVR

# SIMPLIFICATION AND BEST BANK FOR CUSTOMERS

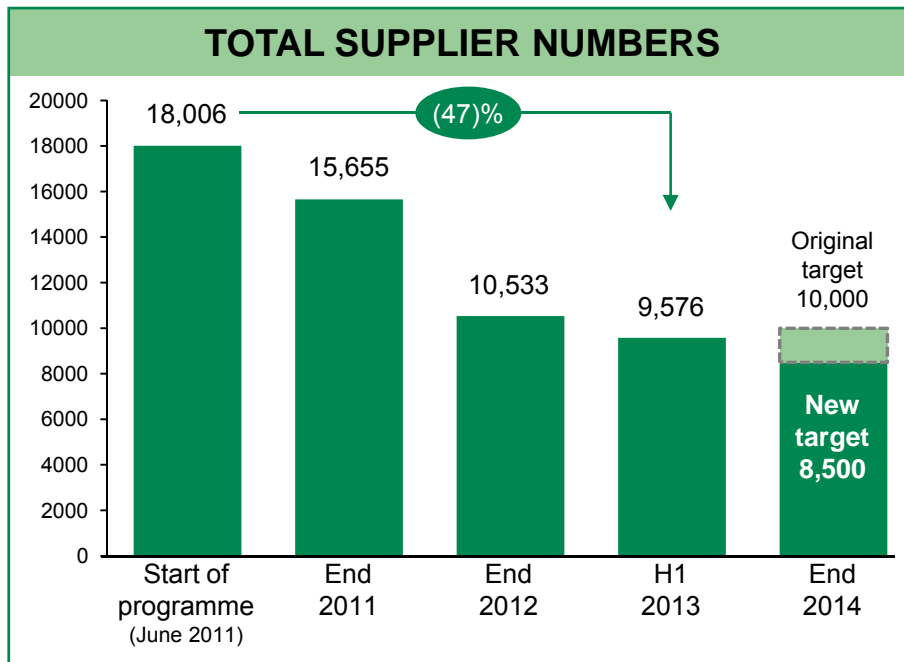
## Strong reduction in complaints, with customer service continuing to improve...



**Original 2014 target of 1.0 complaint per 1,000 accounts achieved**

# SIMPLIFYING THE GROUP

## Two years into the programme, strong progress continues



- Number of suppliers reduced by 47% since start of programme to <9,600
- Over 80% of spend now concentrated with top 100 suppliers
- Original target of 10,000 suppliers achieved and now revised to 8,500 by end 2014

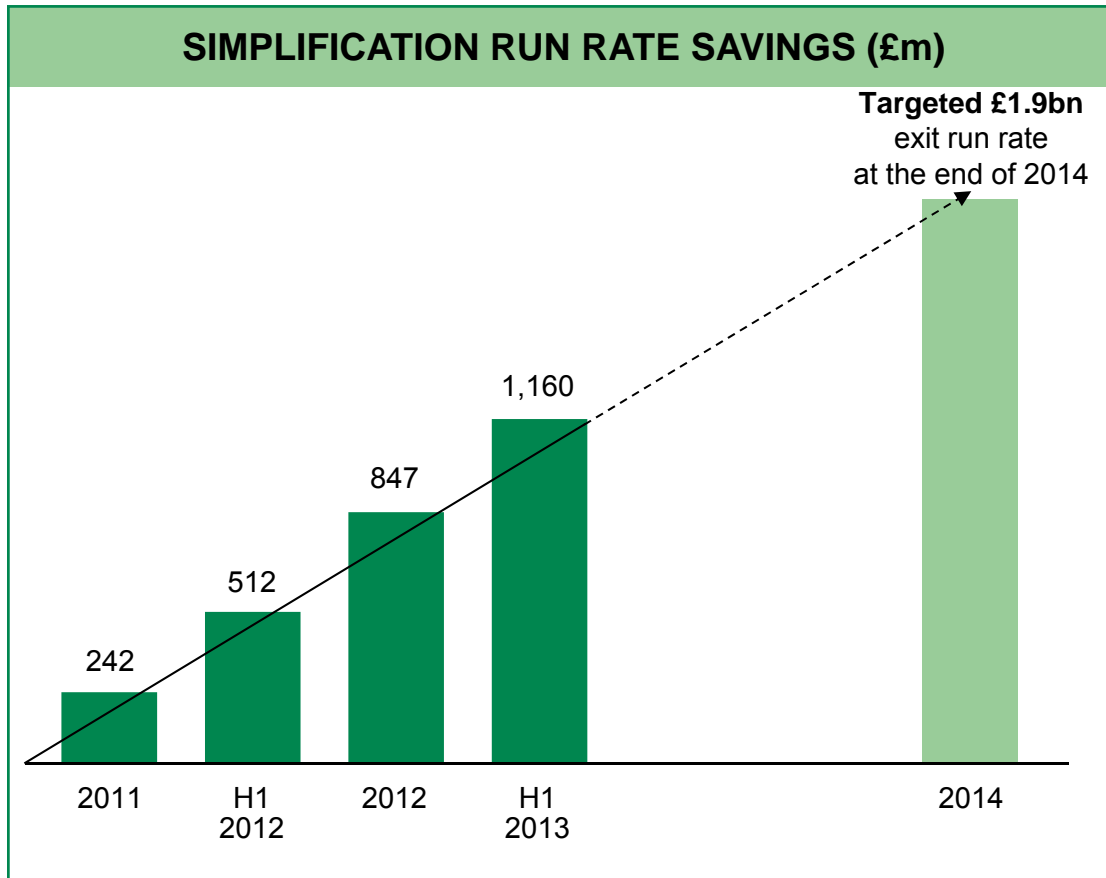
### SIMPLIFICATION OF THE GROUP CONTINUES...

- Transfer of 1.7m mortgage accounts onto single mortgage system
- Integrated, online Group wide training and development solution
- 13 properties exited to date; on track for 12 further exits by end of 2013
- FTEs within 7 layers increased to 85.2%
- Legal entities reduced from 1,685 to 1,035



# SIMPLIFICATION SAVINGS

## On track to meet commitments



- **Programme now in second half**
  - Strong delivery of benefits continues
- **£1,160m run-rate savings at mid-year 2013**
- **Well on track to meet £1.9bn run-rate savings target by end of 2014**



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**ACHIEVEMENTS AND GROUP PERFORMANCE**  
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# HALF YEAR 2013 SUMMARY

## Strong progress in delivering clearly differentiated strategy

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- **Strong performance in first six months of 2013**
  
  - **Substantial increase in Group profits**
  
  - **Core profitability and returns further improved**
  
  - **Delivering strategic plan ahead of expectations**
    - Strengthening and refocusing of the balance sheet substantially complete
  
    - Significant progress made in simplifying and reshaping the Group
  
    - Strong investment in customer-focused UK retail and commercial banking model

# HALF YEAR 2013 SUMMARY – OUTLOOK

## Further progress expected in the second half of 2013 and beyond

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- Group net interest margin expected to be close to 2.10% for the full year 2013
- Expect Group total costs of around £9.6bn in 2013 and around £9.15bn in 2014
- Expect further improvement in asset quality, driving a substantial reduction in 2013 impairment charge
- Continue to grow core loans and advances, with core mortgage net lending expected to grow from Q3
- Expect <£70bn of non-core assets by end 2013 with non-core non-retail assets <£30bn at end 2013 and <£20bn at end 2014
- Targeting a fully loaded core tier 1 ratio above 10% by end 2013
- Expect to commence discussions with our regulators in the second half of this year on the timetable and conditions for dividend payments

# HALF YEAR 2013 SUMMARY

## Well-positioned to benefit from the UK economic recovery

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- 
- Focused UK retail and commercial bank
  - Leading cost position and lower risk model, delivering a low cost of equity
  - Rebuilding trust by focusing on customer needs and addressing remaining legacy issues
  - Continuing to support the UK economy which, while subdued, is strengthening
  - Expect to deliver strong, stable and sustainable returns for our shareholders

# FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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## FORWARD LOOKING STATEMENTS

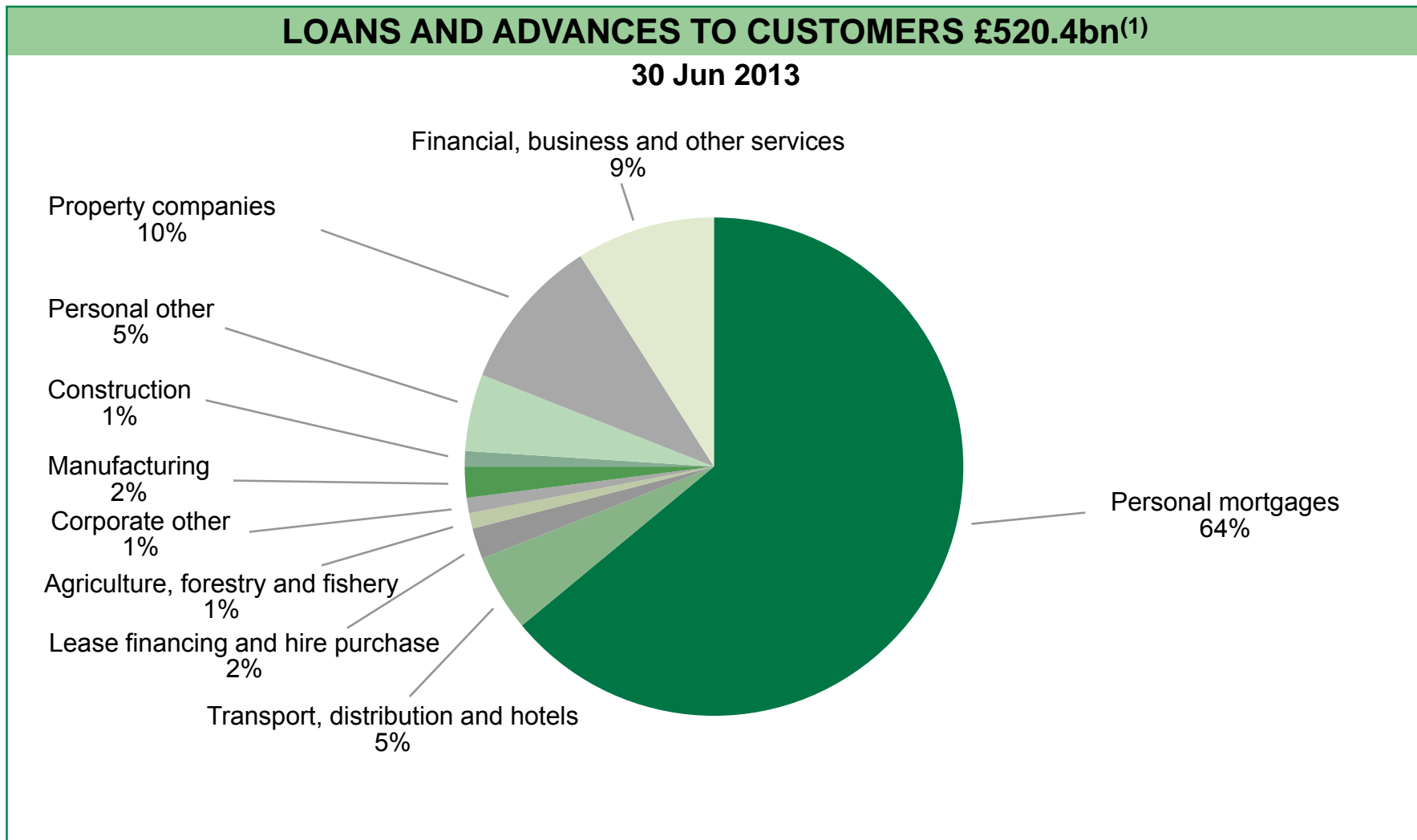
This presentation contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group or the Group's management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances that will or may occur. The Group's actual future business, strategy, plans and/or results may differ materially from those expressed or implied in these forward looking statements as a result of a variety of factors, including, but not limited to, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's Simplification programme; and to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market-related risks including changes in interest rates and exchange rates; changing demographic and market-related trends; changes in customer preferences; changes to laws, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or other jurisdictions in which the Group operates, including the US; the implementation of Recovery and Resolution Directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to satisfactorily dispose of certain assets or otherwise meet the Group's EC state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. The forward looking statements contained in this presentation are made as at the date of this presentation, and the Group undertakes no obligation to update any of its forward looking statements.

## BASIS OF PRESENTATION

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# APPENDIX

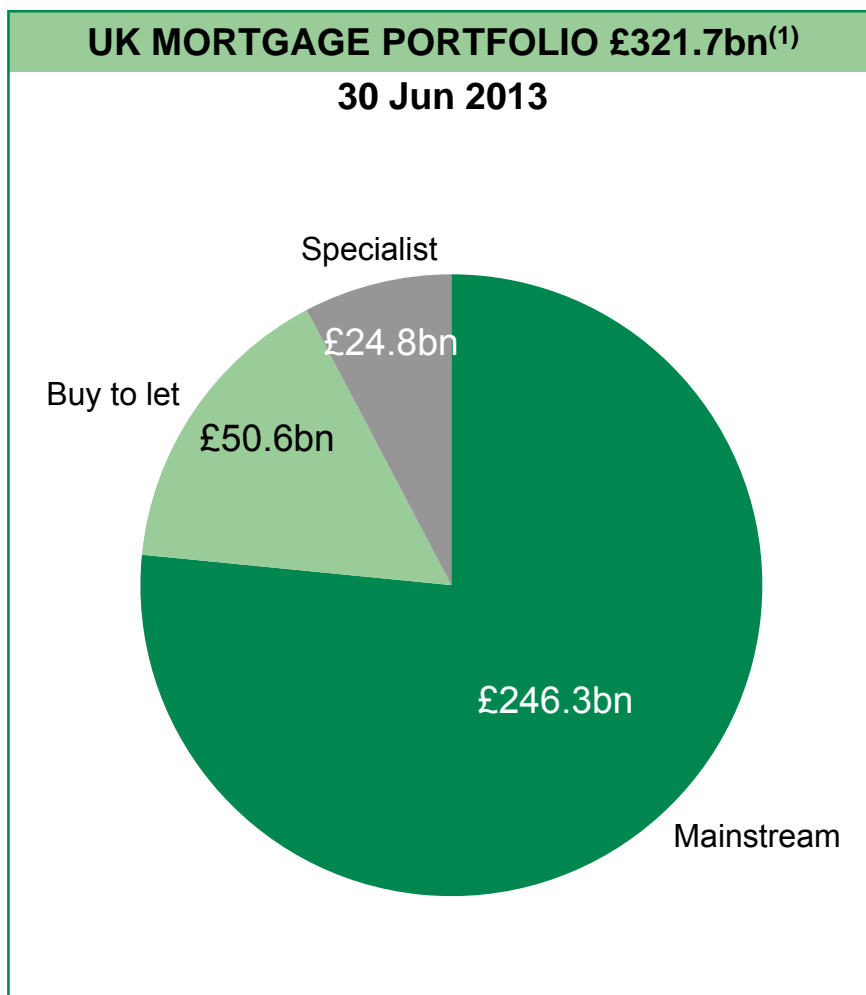
# LOANS AND ADVANCES TO CUSTOMERS



<sup>(1)</sup> Before allowance for impairment losses.



# UK MORTGAGE PORTFOLIO



UK MORTGAGES	JUN 2013	DEC 2012
Impaired loans	<b>£6.2bn</b>	£6.3bn
Impaired loans as % of closing advances	<b>1.9%</b>	2.0%
Impairment provisions	<b>£1.6bn</b>	£1.6bn
Impairment provisions as % of impaired loans	<b>26.0%</b>	25.6%

<sup>(1)</sup> Before allowance for impairment losses and fair value adjustments.

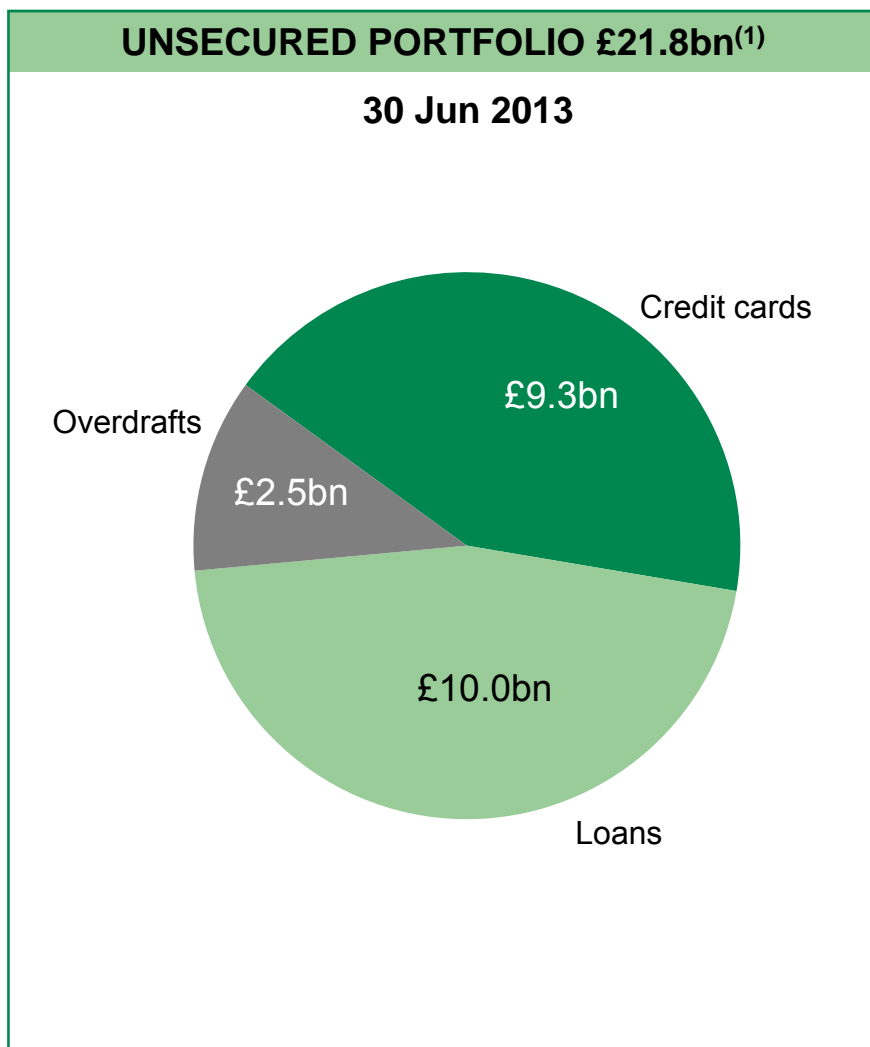
# MORTGAGE PORTFOLIO LTVs



	Mainstream Jun 2013	Buy to let Jun 2013	Specialist Jun 2013	Total Jun 2013	Total Dec 2012
Average LTVs	50.6%	69.6%	68.9%	<b>54.0%</b>	56.4%
New business LTVs	63.4%	64.8%	n/a	<b>63.6%</b>	62.6%
≤80% LTV	69.8%	61.7%	50.0%	<b>67.0%</b>	59.6%
>80–90% LTV	15.6%	14.9%	19.9%	<b>15.8%</b>	16.8%
>90–100% LTV	8.3%	14.6%	16.4%	<b>10.0%</b>	11.9%
>100% LTV	6.3%	8.8%	13.7%	<b>7.2%</b>	11.7%
Value >100% LTV	£15.4bn	£4.5bn	£3.4bn	<b>£23.3bn</b>	£37.8bn

Indexed by value at 30 June 2013. Specialist lending is closed to new business.

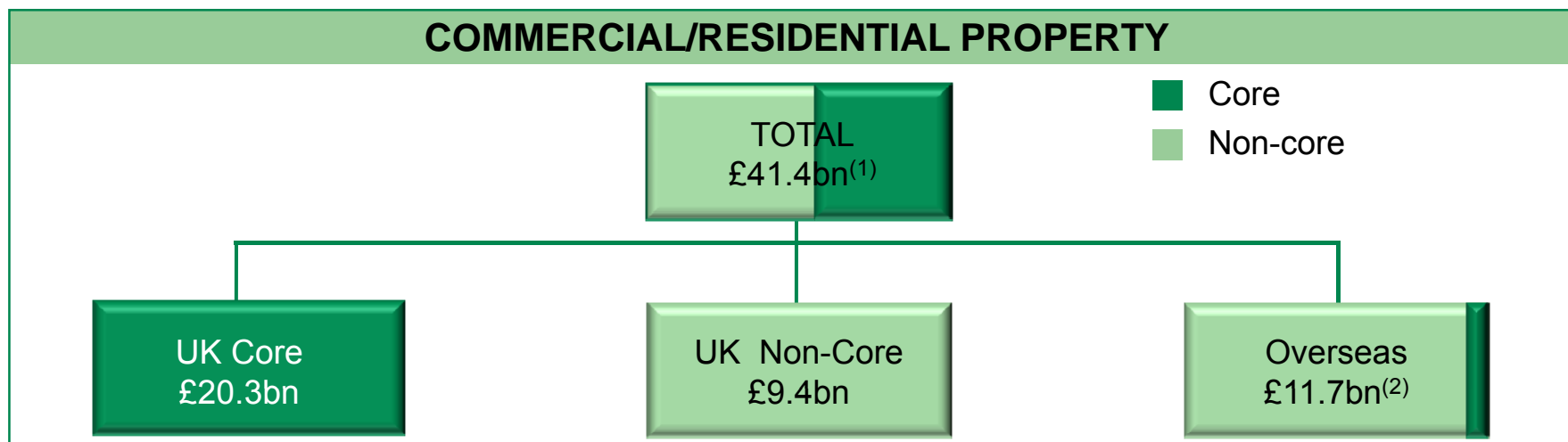
# UNSECURED LENDING PORTFOLIO



<sup>(1)</sup> Before allowance for impairment losses and fair value adjustments.

# DIRECT REAL ESTATE LENDING

## Commercial/Residential property



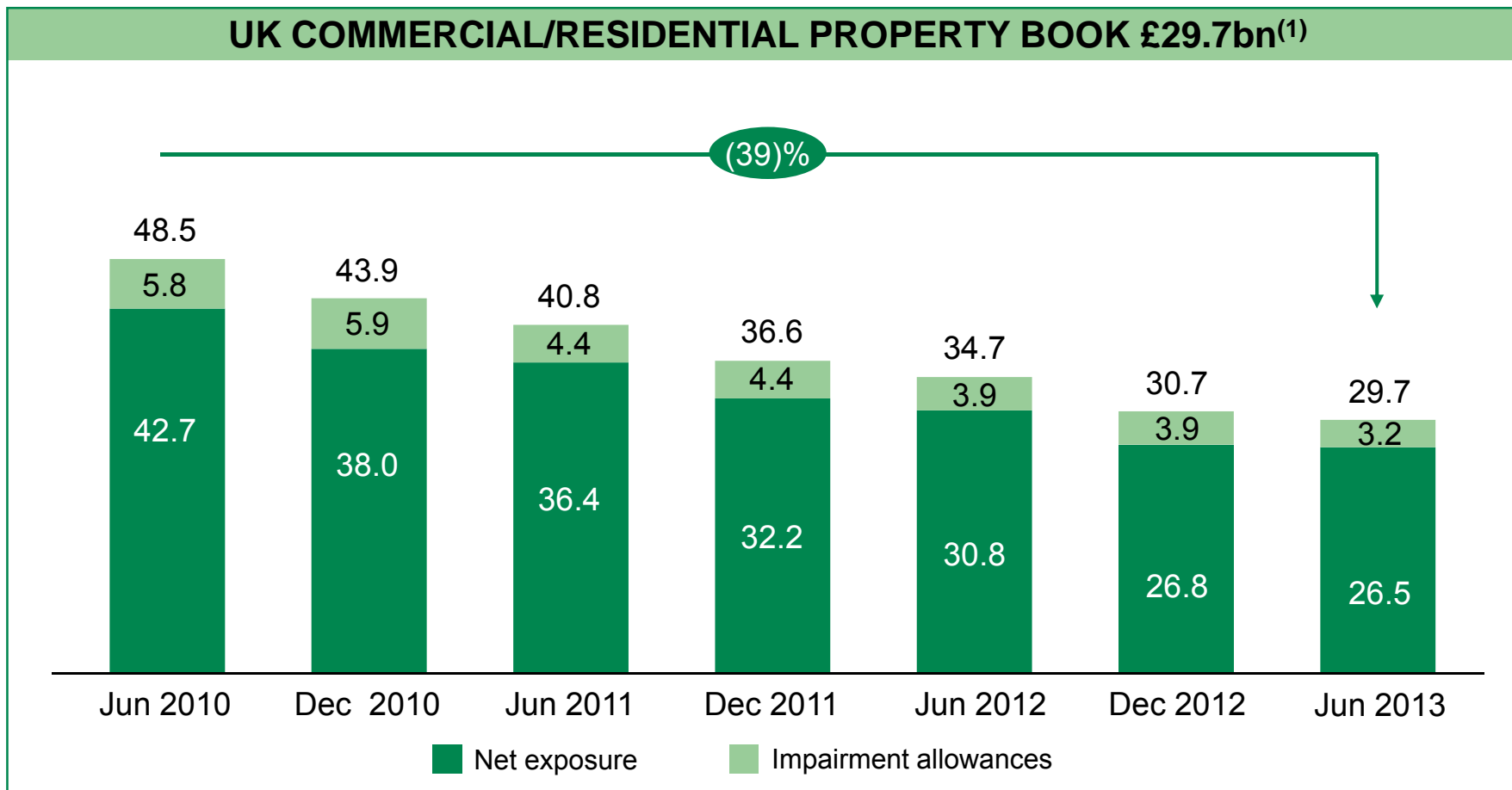
- Gross £20.3bn/net £19.9bn
- c.71% Commercial Real Estate
  - c.£11bn is based on heritage LTSB appetite (other £3bn heritage HBOS)
  - Portfolio weighted toward investment (85%) over development (15%)
- c.29% Residential & other
  - Larger residential property companies
  - Buy-to-let in Commercial and larger, professional landlords
- Gross £9.4bn/net £6.6bn
- Robustly and extensively reviewed, and is well-provided for. Allowance is taken for greater proportion of secondary real estate assets in portfolio
- £6.5bn impaired, with a coverage of 43%
- c.80% Commercial Real Estate
- c.20% Residential & other
- Ireland (Gross £7.2bn/net £2.3bn) 91% impaired, with a coverage of 75%
  - 58% property investment, of which 86% is impaired
  - 42% property development, of which 99% is impaired
- £4.5bn relates to other lending to non-UK residents

<sup>(1)</sup> Gross (pre FV adjustment and impairment). Excludes £9.4bn of social housing exposure (local authority cashflows) and £1.5bn of housebuilder lending.

<sup>(2)</sup> Also includes lending to non UK residents (but excludes residential mortgages).

# DIRECT REAL ESTATE LENDING

## Commercial/Residential property

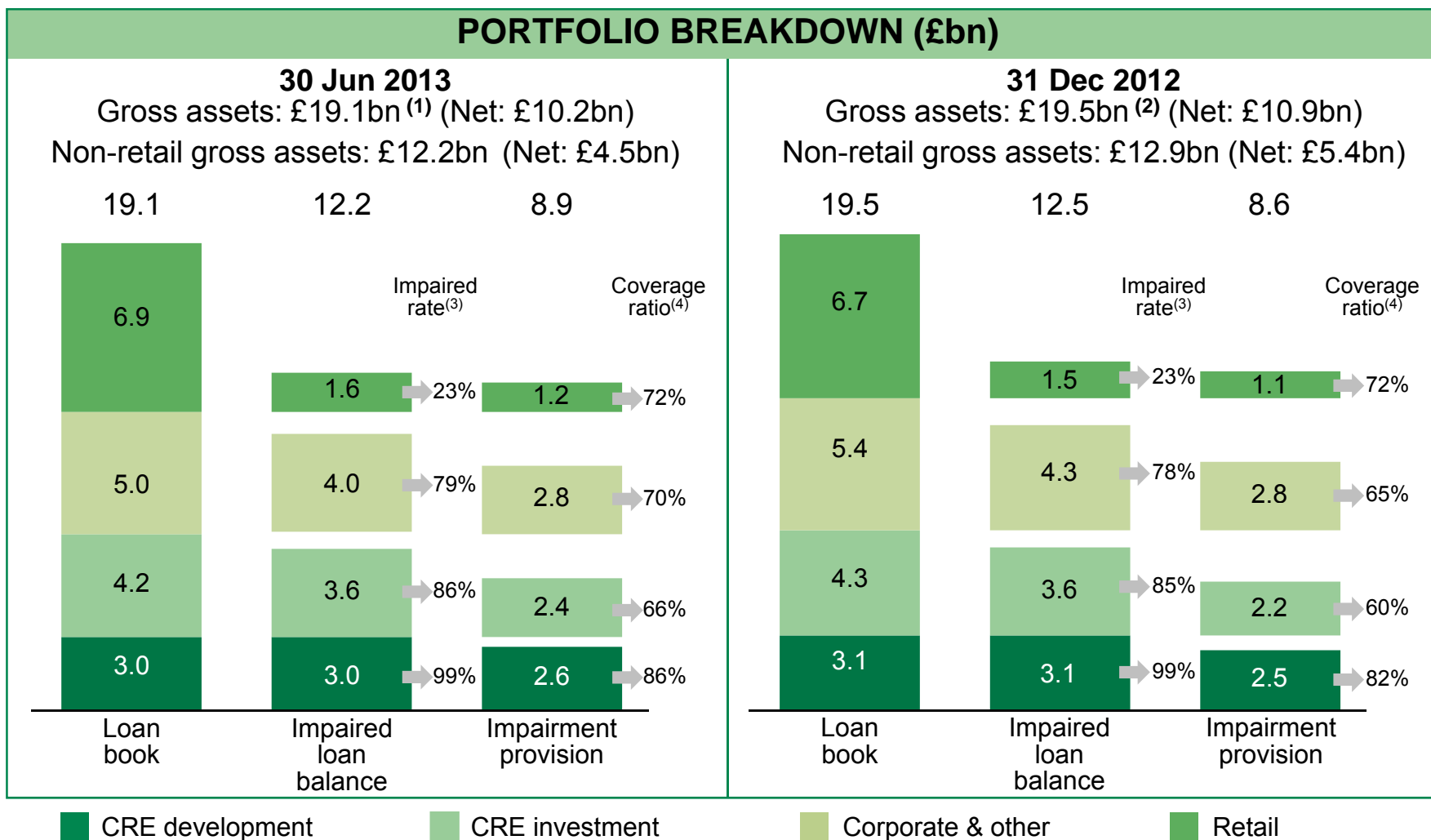


**Reductions reflect strategic focus**

<sup>(1)</sup> Gross (pre FV adjustment and impairment). Includes Joint Ventures. Excludes £9.4bn of Social Housing exposure (local authority cashflows) and £1.5bn of Housebuilder lending.

# IRISH PORTFOLIO

## Robust coverage which minimises downside risks



<sup>(1)</sup> €22.2bn in local currency. <sup>(2)</sup> €24bn in local currency. <sup>(3)</sup> Impaired loan balance / Gross drawn assets. <sup>(4)</sup> Impairment provision / Impaired loan balance. May not sum due to roundings.

# SELECTED EUROZONE EXPOSURES

Substantial reductions achieved and minimal sovereign exposures remain

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(£m)	Sovereign debt <sup>(1)</sup>	Banks & other financial institutions	ABS	Corporate	Personal	Insurance shareholder assets	Total
Ireland	–	1,315	184	5,236	5,704	103	12,542
Spain	14	505	34	2,203	52	20	2,828
Portugal	–	32	204	218	10	–	464
Italy	2	73	11	128	–	31	245
Greece	–	–	–	161	–	–	161
<b>Jun 2013</b>	<b>16</b>	<b>1,925</b>	<b>433</b>	<b>7,946</b>	<b>5,766</b>	<b>154</b>	<b>16,240</b>
	(33)%	(8)%	(35)%	(9)%	(18)%	(11)%	<b>(13)%</b>
<b>Dec 2012</b>	<b>24</b>	<b>2,098</b>	<b>671</b>	<b>8,696</b>	<b>7,041</b>	<b>173</b>	<b>18,703</b>

<sup>(1)</sup> Includes cash at Central banks of £7m in 2013 (£14m in 2012).

# NON-CORE REDUCTIONS

## Non-core reductions continue to be capital accretive



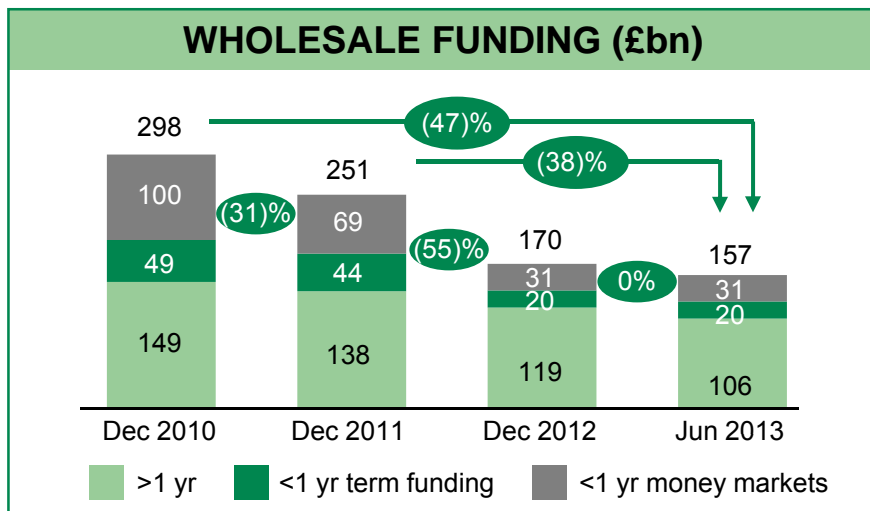
	H1 2013	H1 2012
Loss before tax <sup>(1)</sup> (£m)	(621)	(1,524)
<b>Post tax loss → 'capital consumed' (£m)</b>	<b>(477)</b>	<b>(1,151)</b>
Reduced RWAs (£bn)	17.7	15.4
at 10% → 'capital released' (£m)	1,768	1,540
Decrease in EEL <sup>(2)</sup> (£m)	357	14
<b>Net capital released (£m)</b>	<b>1,648</b>	<b>403</b>

<sup>(1)</sup> Management basis. <sup>(2)</sup> 50% core tier 1 impact.

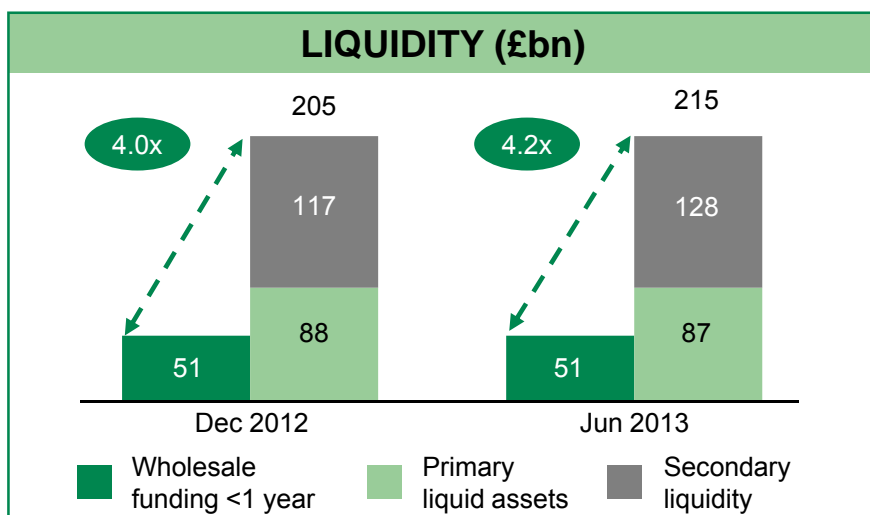


# BALANCE SHEET FURTHER STRENGTHENED

## Funding transformation complete; liquidity coverage further improved



- Wholesale funding reduced by £12.6bn in the first half of 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 expected in second half of 2013

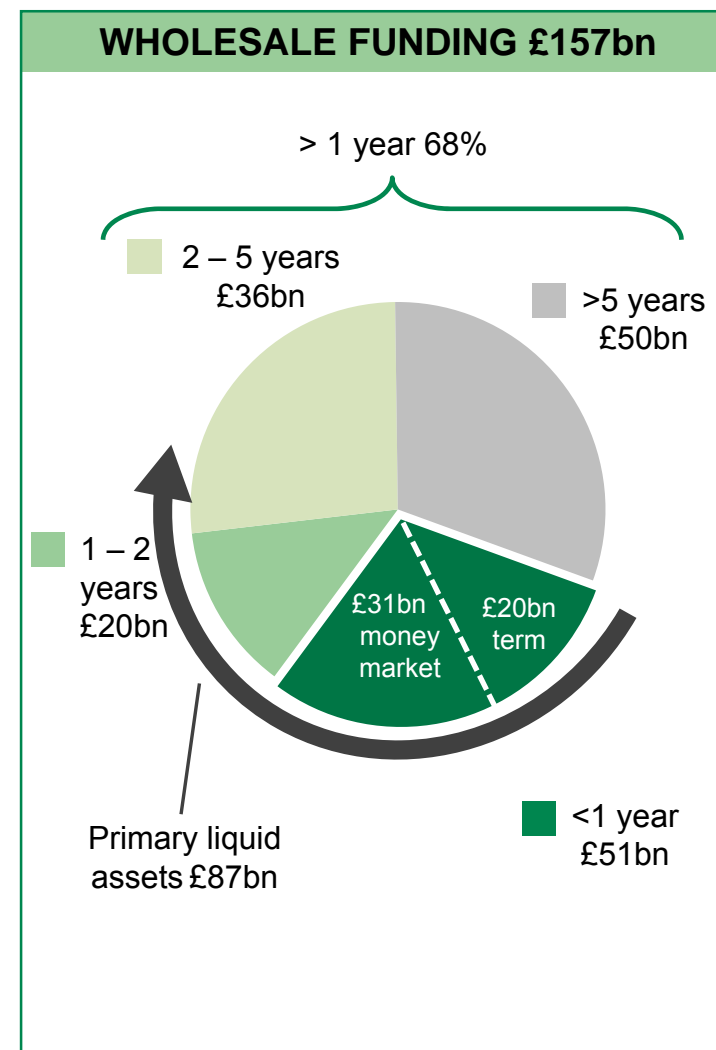
# BALANCE SHEET FURTHER STRENGTHENED

## Broad spread of wholesale funding with increasing asset coverage



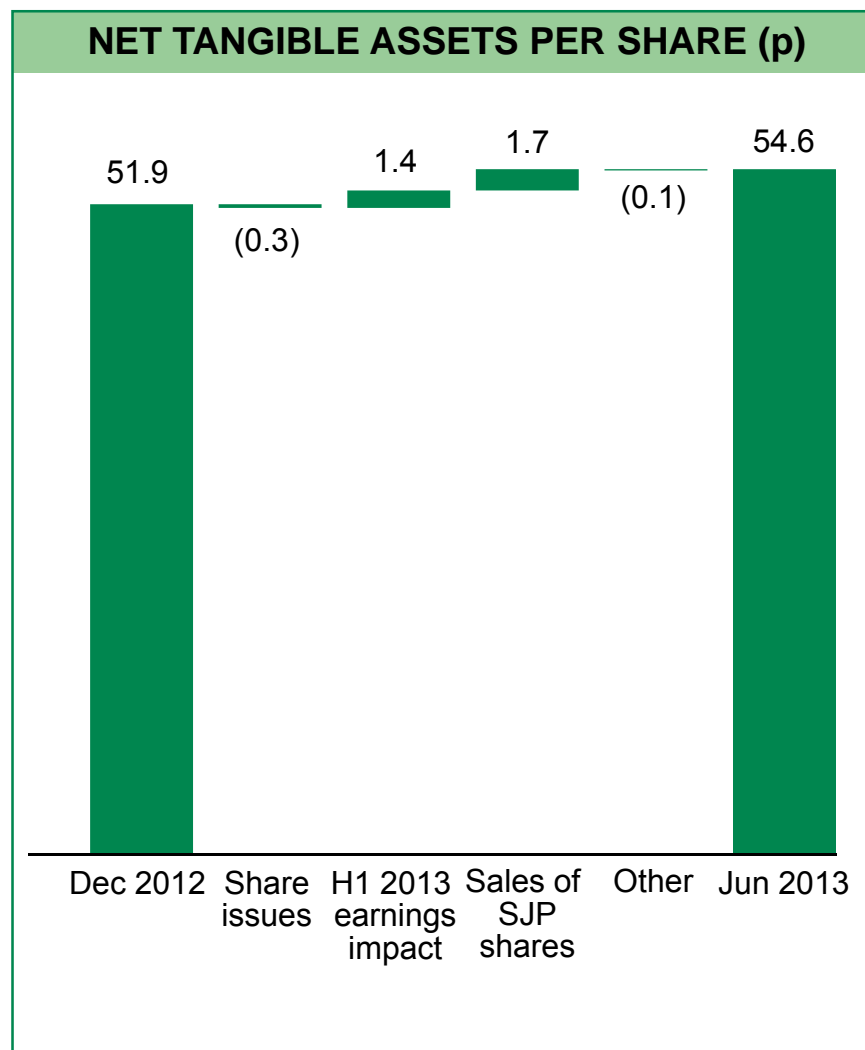
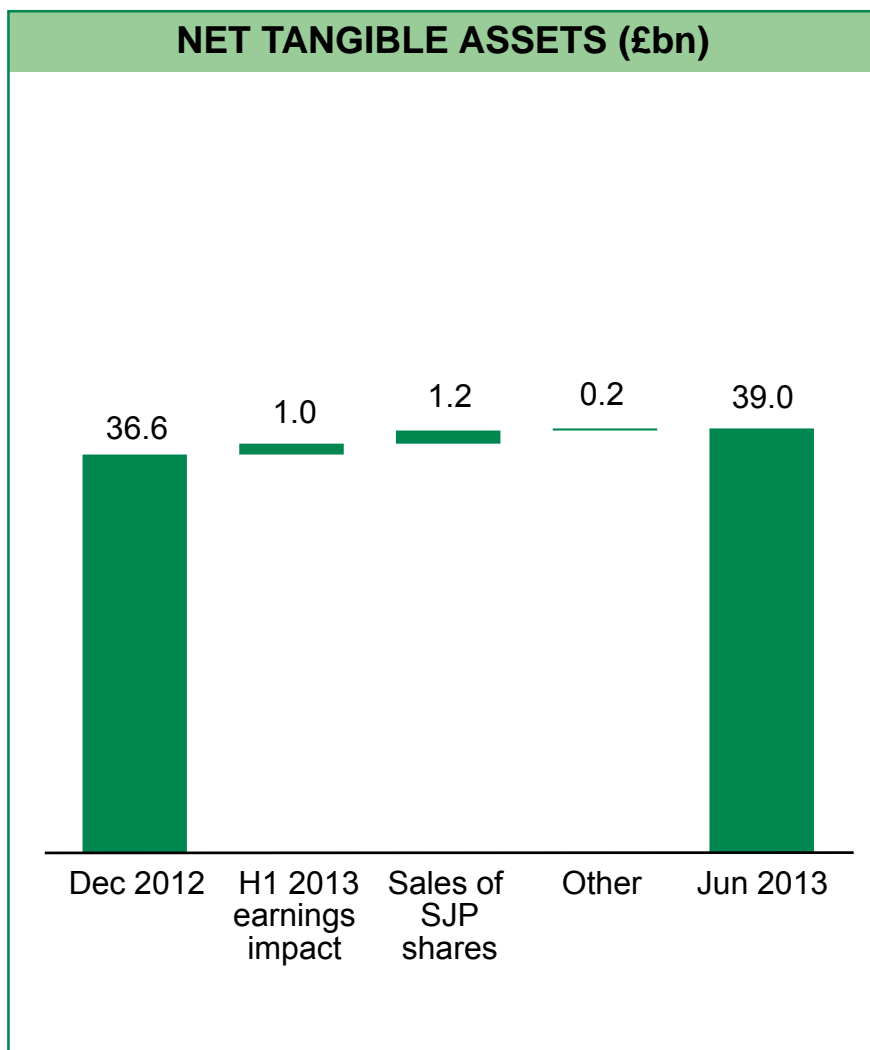
£bn	Jun 2013	Dec 2012
Bank deposits <sup>(1)</sup>	12	15
Certificates of deposit	12	11
Medium-term notes	30	35
Covered bonds	37	39
Commercial paper	8	8
Securitisation	23	28
Subordinated debt	35	34
Wholesale (excl. customer deposits)	<b>157</b>	170
Customer deposits <sup>(1)</sup>	<b>431</b>	423

- Clear benefit delivered by managing balance sheet down
- Good relationship customer deposit growth of £8bn



<sup>(1)</sup> Excluding repos.

# NET TANGIBLE ASSETS



# FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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