2013 HALF-YEAR RESULTS

Presentation to Analysts and Investors

1 August 2013

AGENDA

LLOYDS BANKING GROUP

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

- **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

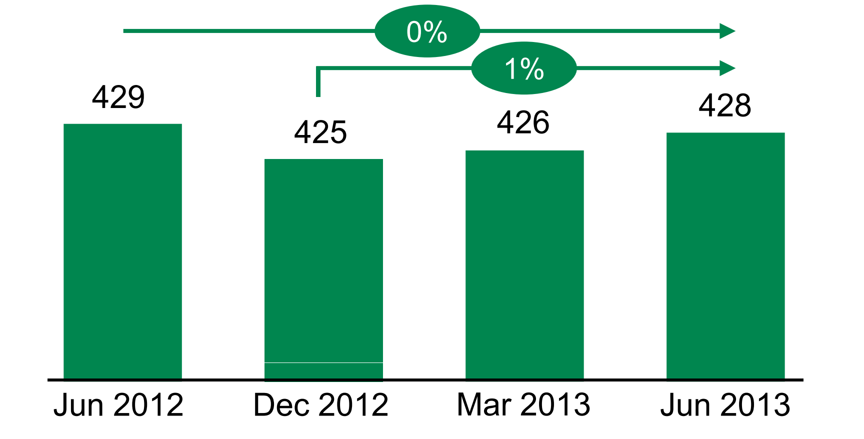
(£m)	H1 2013	H1 2012	Change %
Group income	**9,464**	9,246	*2%*
Group NIM	**2.01%**	1.93%	*8bp*
Group total costs	**(4,749)**	(5,045)	*6%*
Group impairment	**(1,813)**	(3,157)	*43%*
Underlying profit			
Group	**2,902**	1,044	*178%*
Core	**3,696**	2,931	*26%*
Statutory PBT	**2,134**	(456)	
RoRWA			
Group	**1.95%**	0.61%	*134bp*
Core	**3.16%**	2.44%	*72bp*

- **Substantial increase in Group underlying and statutory profit**
  - Core profit increased 26% to £3,696m
  - Returned to statutory profit: £2,134m
- **Group margin ahead of expectations at 2.01%**
- **Costs further reduced; Simplification run-rate savings increased to £1.16bn at end June 2013**
- **Further substantial reduction in impairment**
  - Driven by 58% reduction in non-core
- **Returns further improved, with Group and core returns above cost of equity**

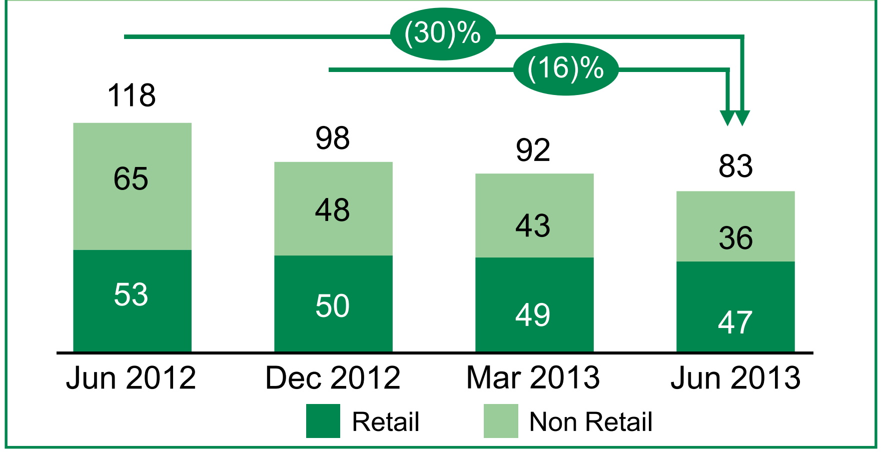
BALANCE SHEET

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

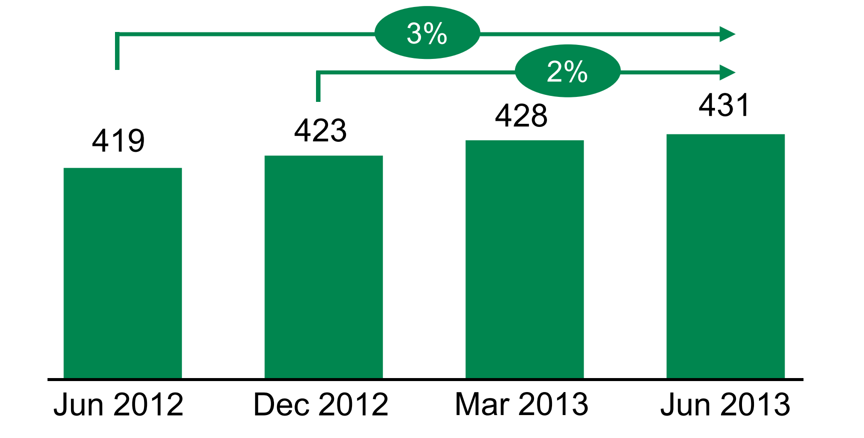
CORE LOANS AND ADVANCES[1] (£bn)



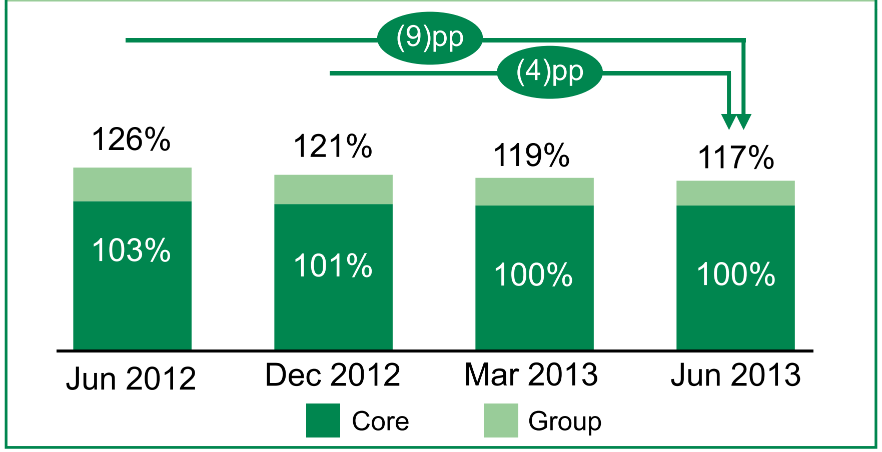
NON-CORE ASSETS (£bn)



CUSTOMER DEPOSITS[1] (£bn)



LOAN TO DEPOSIT RATIO[1]

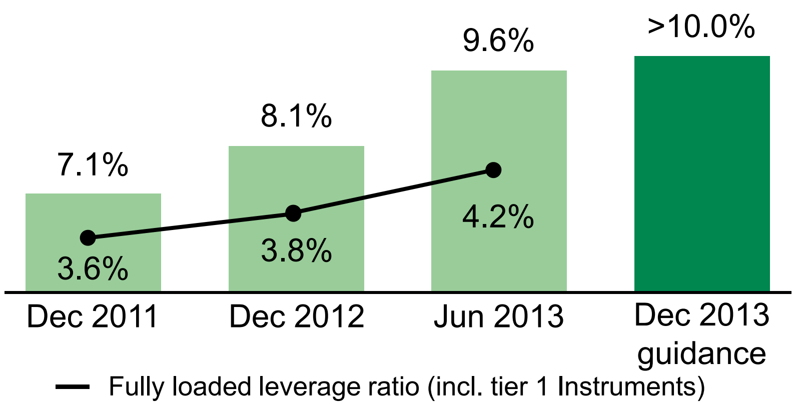


[1] Excluding reverse repos and repos.

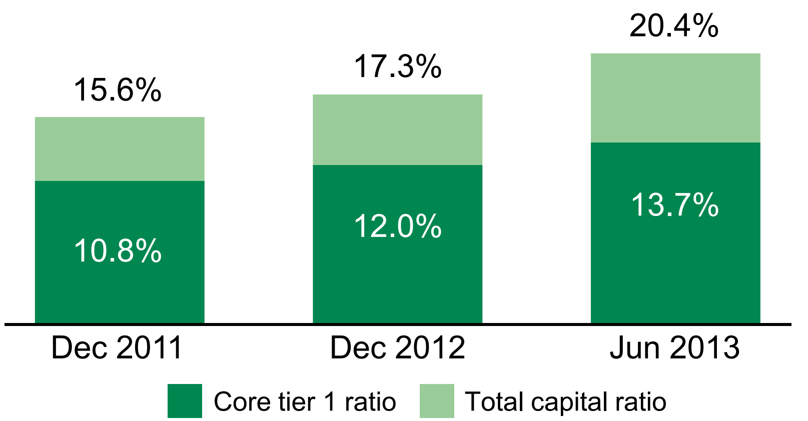
BALANCE SHEET
Substantial improvement in capital ratios

LLOYDS BANKING GROUP

FULLY LOADED CORE TIER 1



TOTAL CAPITAL

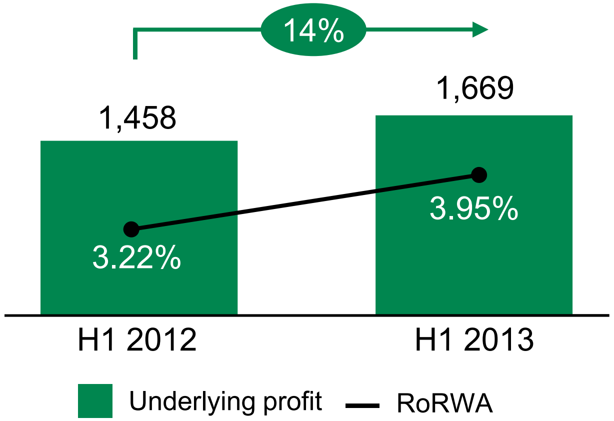


- **Remain confident in capital position**
  - Now expect fully loaded core tier 1 ratio of above 10% at end 2013
- **Strongly capital generative strategy**
  - Core business capital generation
  - Capital accretive non-core reduction
  - Other disposals (sales of St. James's Place shares and US RMBS) 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**

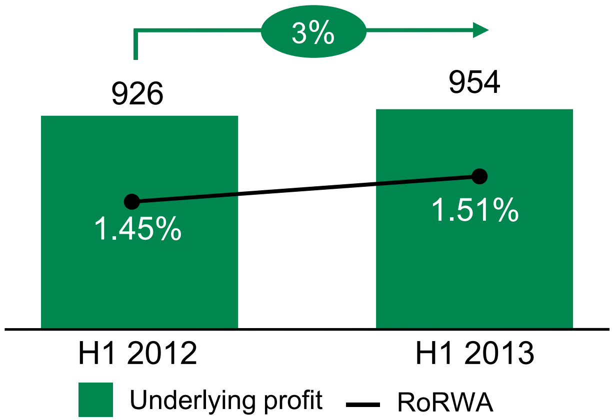
CORE DIVISIONAL FINANCIAL PERFORMANCE

Strong Retail returns and improved Commercial Banking performance

RETAIL (£m)



COMMERCIAL BANKING (£m)



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%

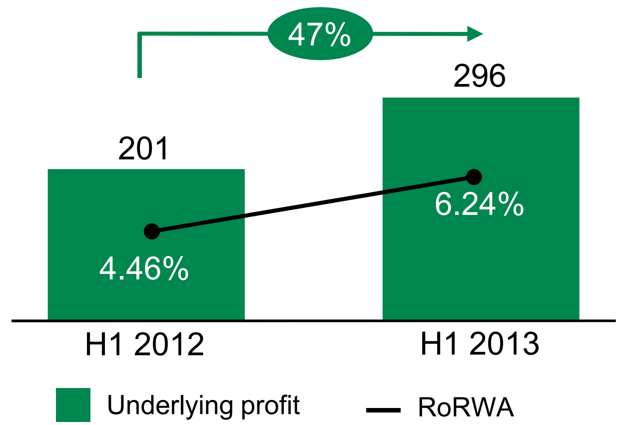
Commercial Banking

- 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

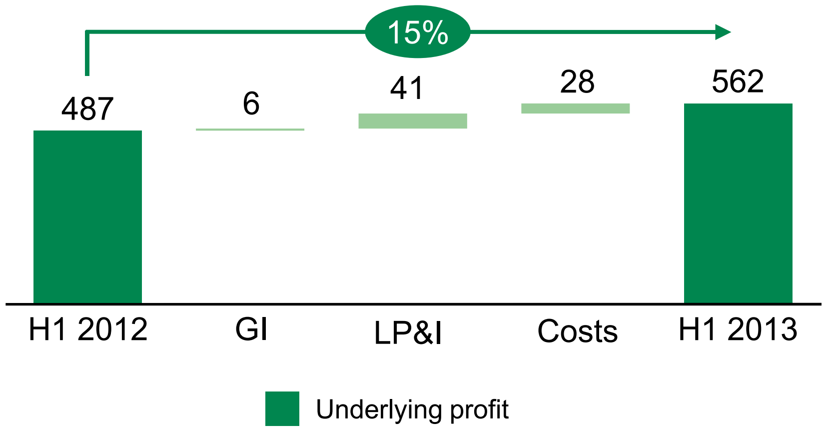
CORE DIVISIONAL FINANCIAL PERFORMANCE

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

WEALTH, ASSET FINANCE & INTERNATIONAL (£m)



INSURANCE (£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%

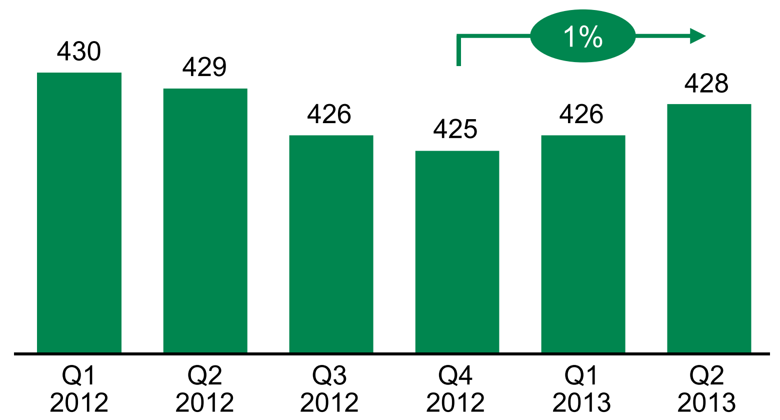
Insurance

- 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

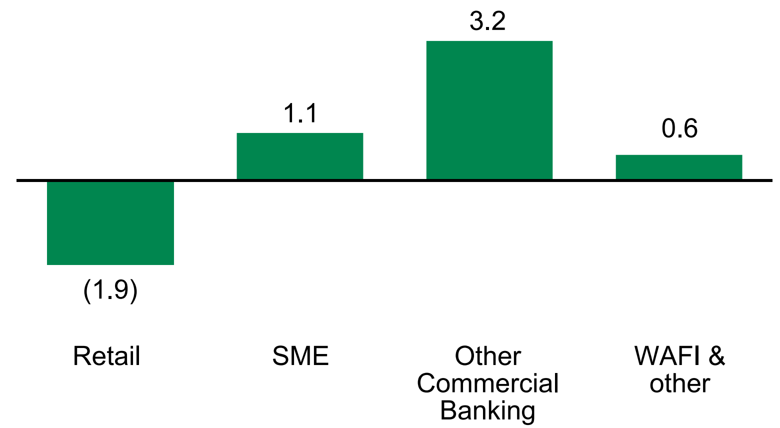
SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY
Return to growth in core loan book, ahead of guidance

- **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

CORE LOANS AND ADVANCES[1] (£bn)



H1 CORE LOAN BOOK MOVEMENTS[2] (£bn)



[1] Excluding reverse repos. [2] Jun 2013 vs Dec 2012.

AGENDA

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

FINANCIAL PERFORMANCE
Substantial increase in Group underlying and statutory profit

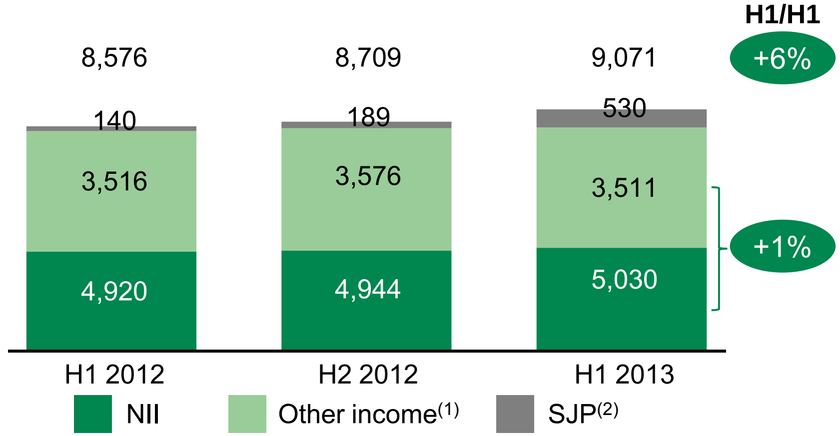
	GROUP		
(£m)	H1 2013	H1 2012	Change %
Net interest income	**5,206**	5,215	–
Other income[1]	**4,258**	4,031	*6%*
Underlying income	**9,464**	9,246	*2%*
Total costs	**(4,749)**	(5,045)	*6%*
Impairment	**(1,813)**	(3,157)	*43%*
Underlying profit	**2,902**	1,044	*178%*
Core underlying profit	**3,696**	2,931	*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	
Statutory PBT	**2,134**	(456)	
Tax	**(556)**	(206)	
Profit after tax	**1,578**	(662)	

- **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)**

[1] Net of insurance claims.

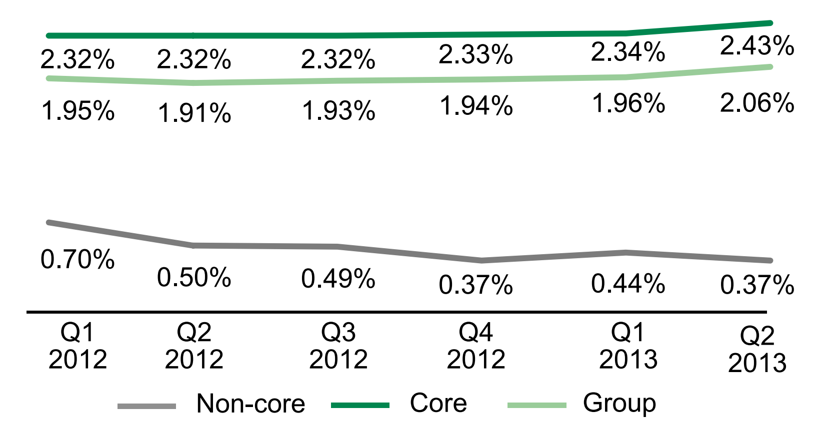
FINANCIAL PERFORMANCE
Stabilising income trends and improved margin

CORE UNDERLYING INCOME[1] (£m)



- **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**

NET INTEREST MARGIN

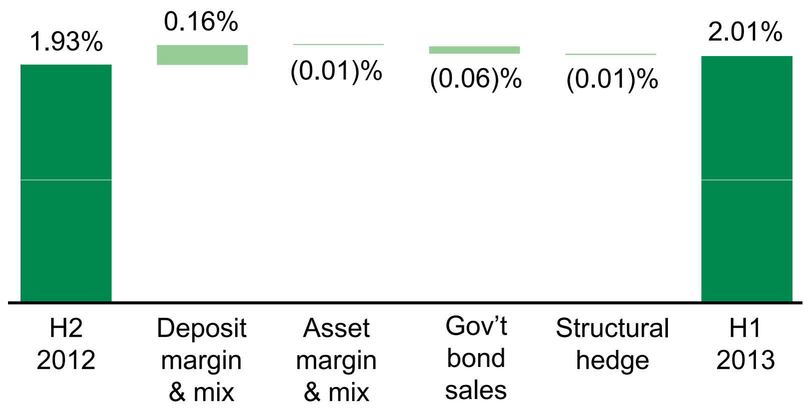


- **Group margin improved to 2.06% in the quarter**
- **Now guiding to a full year margin of close to 2.10%**
- **Core NIM increased to 2.43% driven by improved deposit margin**

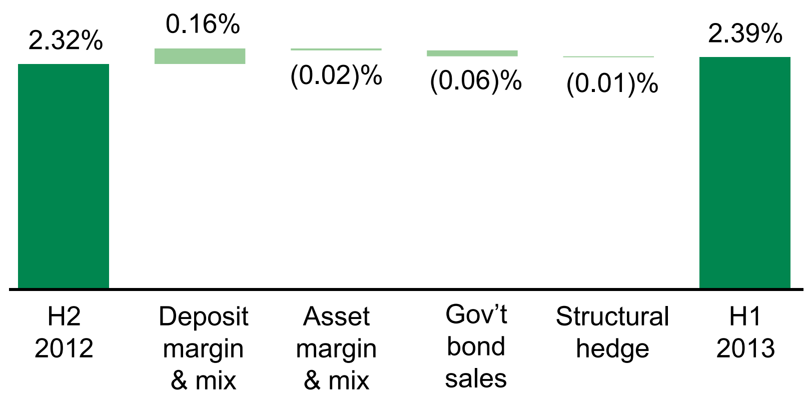
[1] Net of insurance claims. [2] Deconsolidated from 1 April 2013.

FINANCIAL PERFORMANCE
Improving Group margin driven by positive deposit margin

GROUP MARGINS



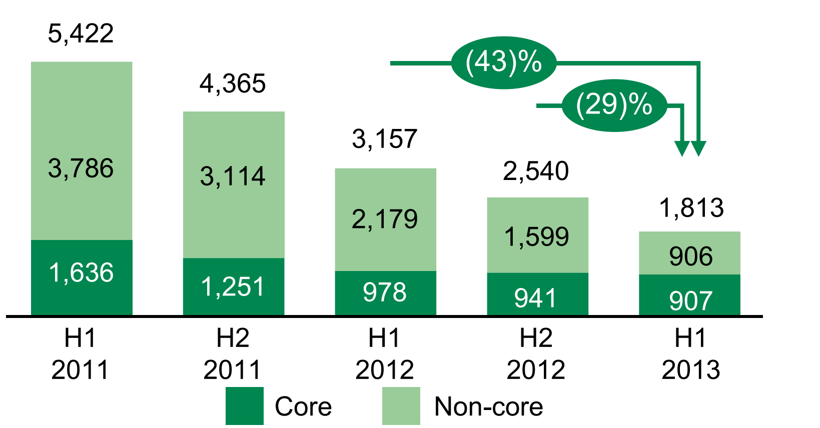
CORE MARGINS



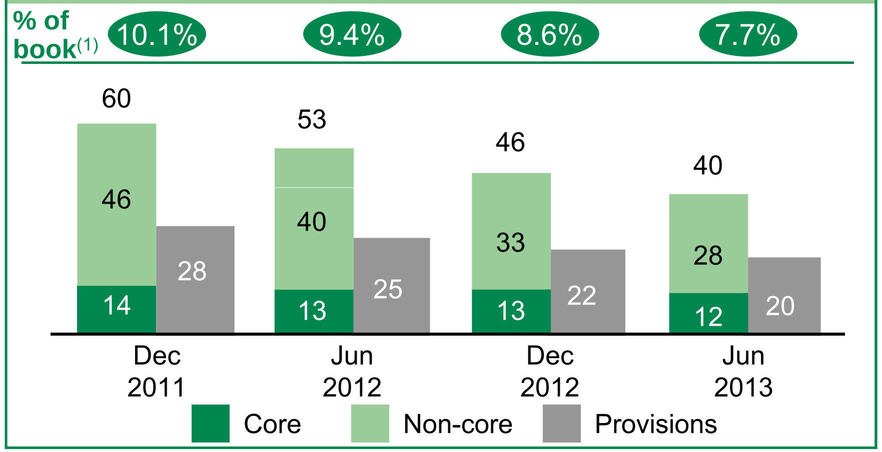
- **Margin improvement in Group and core mainly driven by deposit margin and mix**
- **Reduction in asset prices, substantially offset by lower funding costs and for Group margin, non core reduction**
- **Government bond sale effect in line with expectations; FY guidance of 8bps unchanged**
- **Taken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

FINANCIAL PERFORMANCE
Continued progress towards a lower risk business

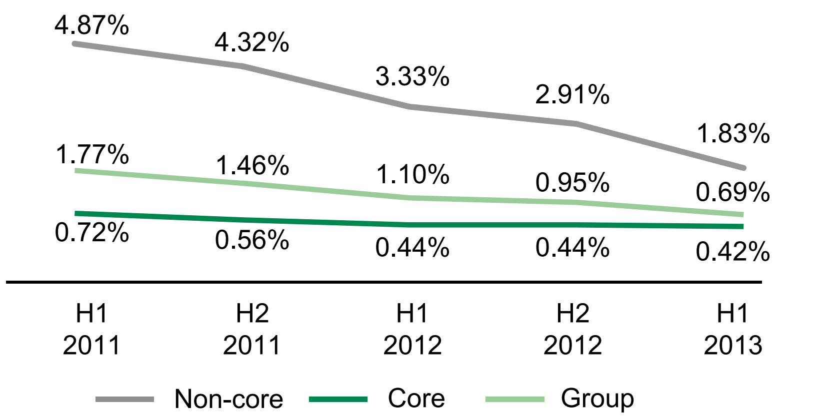
GROUP IMPAIRMENT (£m)



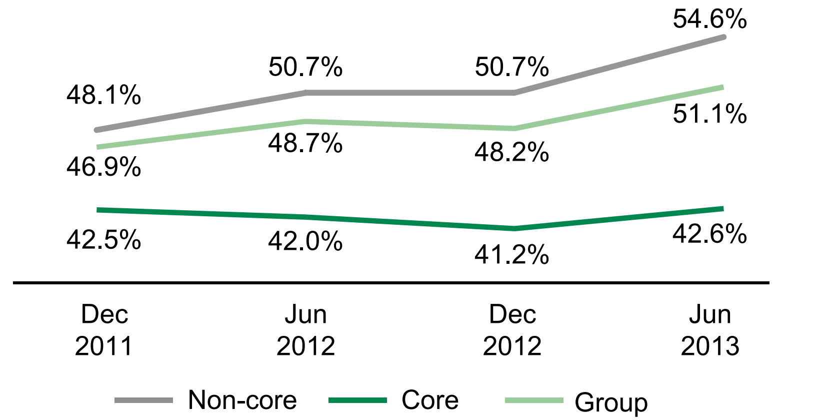
GROSS IMPAIRED LOANS (£bn)



ASSET QUALITY RATIO



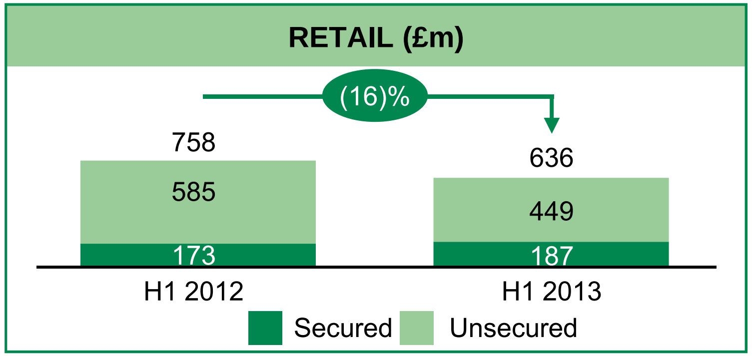
COVERAGE RATIO



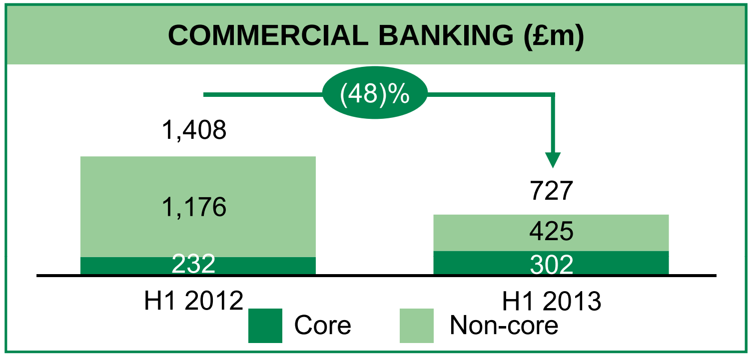
(1) Gross impaired loans as a percentage of total loans and advances to customers.

FINANCIAL PERFORMANCE

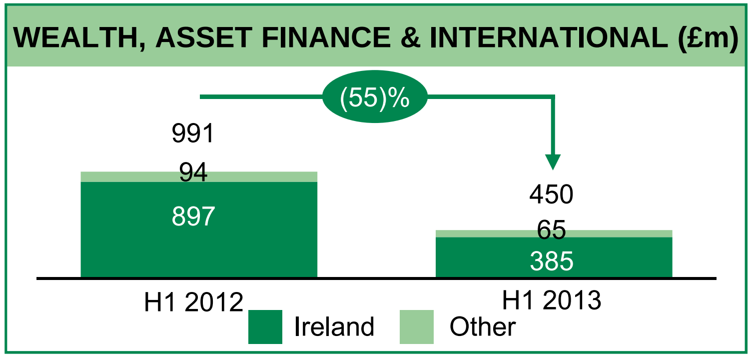
Reduction in impairment charge across all divisions



- 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

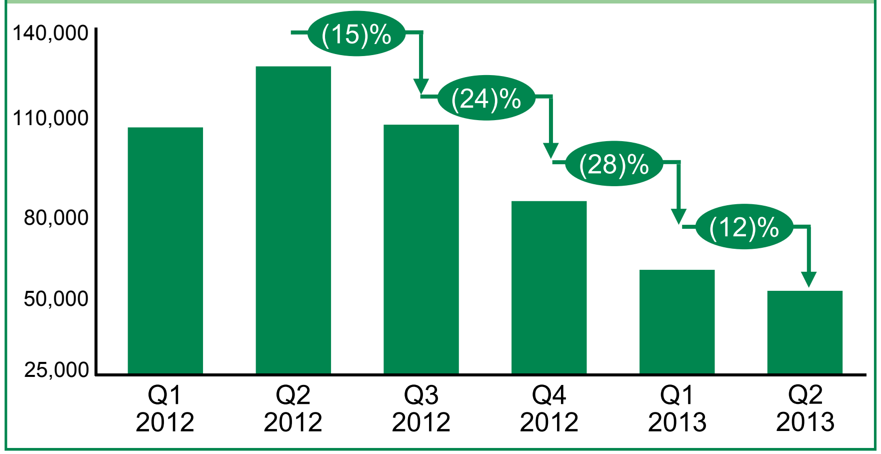


- Substantial reduction primarily driven by lower charges in the non-core Irish portfolio

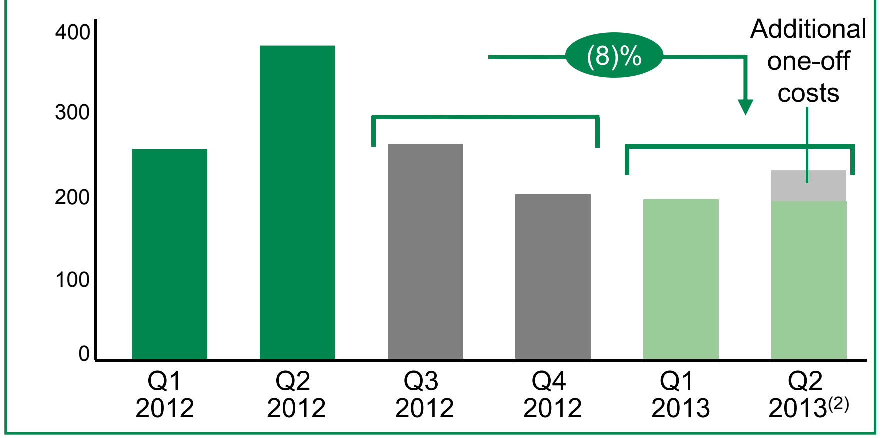
LEGACY ISSUES

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

AVERAGE COMPLAINT VOLUMES PER MONTH[1]



AVERAGE PPI COSTS PER MONTH (£m)



- **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**

[1] Excludes complaints where no PPI policy is held. [2] Additional one-off costs include acceleration of FOS cases and VAT Ruling.

BALANCE SHEET HIGHLIGHTS
Strong balance sheet

(£bn)	Jun 2013	Dec 2012	Jun 2012	Change % Jun/Jun
	GROUP			
ASSETS				
Core loans and advances[1]	**428**	425	429	–
Non-core assets	**83**	98	118	*(30)%*
Primary liquid assets	**87**	88	105	*(18)%*
Total banking assets[2]	**636**	657	703	*(9)%*
LIABILITIES				
Customer deposits[1]	**431**	423	419	*3%*
Wholesale funding	**157**	170	214	*(27)%*
Core risk-weighted assets	***234***	*237*	*239*	*(2)%*
Non-core risk-weighted assets	***55***	*73*	*93*	*(41)%*
Risk-weighted assets	***289***	*310*	*333*	*(13)%*

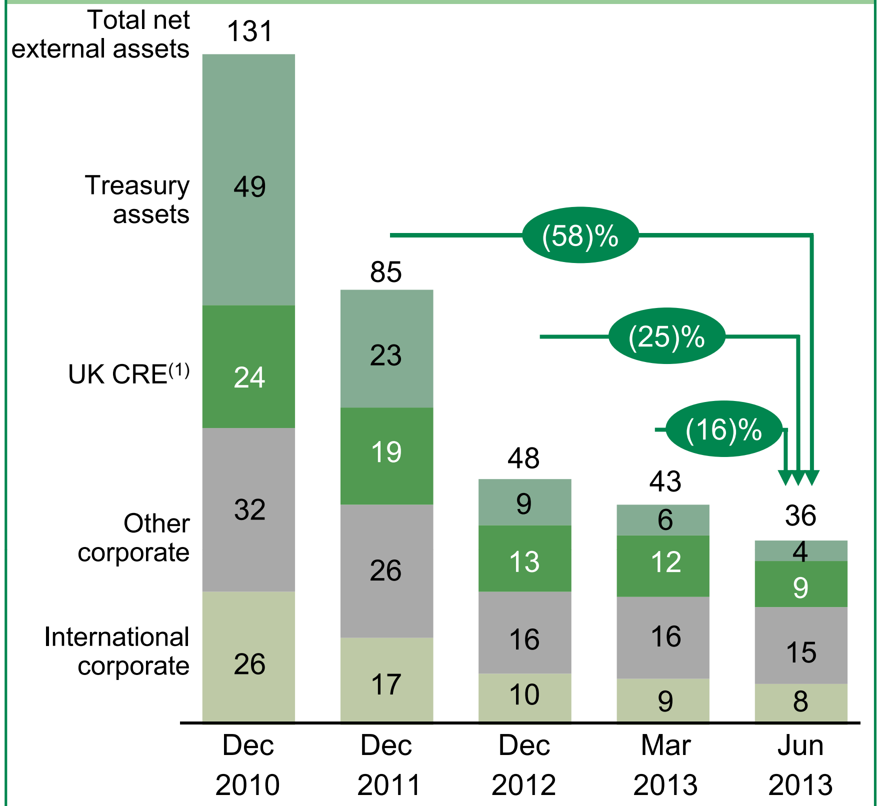
(£bn)	H1 2013	QoQ Movements Q2 2013	Q1 2013
SOURCE OF FUNDS			
Non-core asset reduction	**16**	10	6
Primary liquid asset decrease	**1**	(5)	6
Deposit growth	**8**	2	6
Other movements	**2**	3	(1)
	27	**10**	**17**
USE OF FUNDS			
Core loans and advances	**3**	2	1
Wholesale funding	**13**	5	8
LTRO repayment	**11**	3	8
	27	**10**	**17**

(1) Excludes reverse repos and repos.
(2) 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.

NON-CORE PORTFOLIO

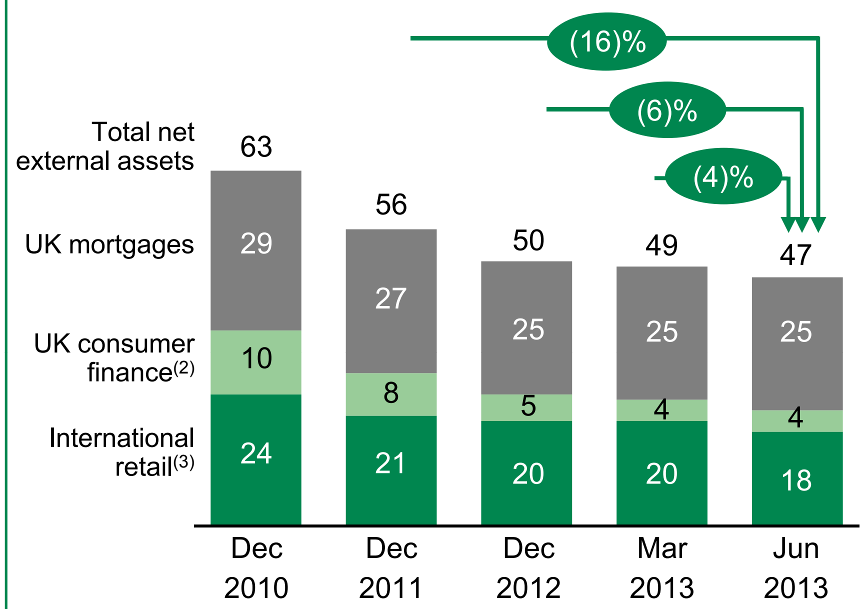
Further capital accretive reduction of £17bn (£16bn after currency effects), driven by non-retail reduction

NON RETAIL (£bn)



	Dec 2011		Dec 2012		Jun 2013
RWAs	74	(42)%	43	(35)%	28
Assets	85	(44)%	48	(25)%	36
Underlying loss (£m)	(5,282)		(3,474)		(778)

RETAIL (£bn)



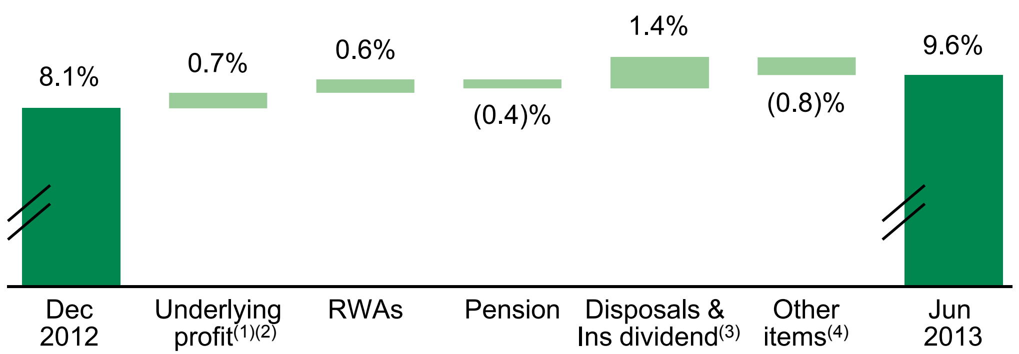
	Dec 2011		Dec 2012		Jun 2013
RWAs	35	(14)%	30	(10)%	27
Assets	56	(11)%	50	(6%)	47
Underlying loss (£m)	(276)		(73)		(16)

(1) UK CRE includes all non-core CRE BSU (£8.2bn) and other non-core CRE (£1.0bn). (2) Asset finance included in UK consumer finance.
(3) International retail includes Dutch & Irish mortgages and Australia asset finance in June 2013.

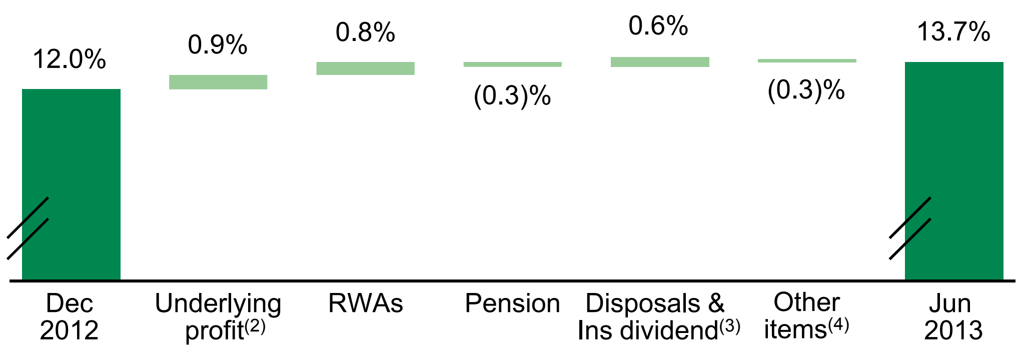
FURTHER STRENGTHENING THE BALANCE SHEET

A strongly capital generative business

FULLY LOADED CORE TIER 1



CORE TIER 1 RATIO



- **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

(1) Includes impact of retaining profit within Insurance business under CRD IV. (2) Excludes underlying profit relating to disposals of St. James's Place shares and US RMBS. (3) Disposals of St. James's Place shares and US RMBS and £1.6bn dividend from Insurance business. (4) 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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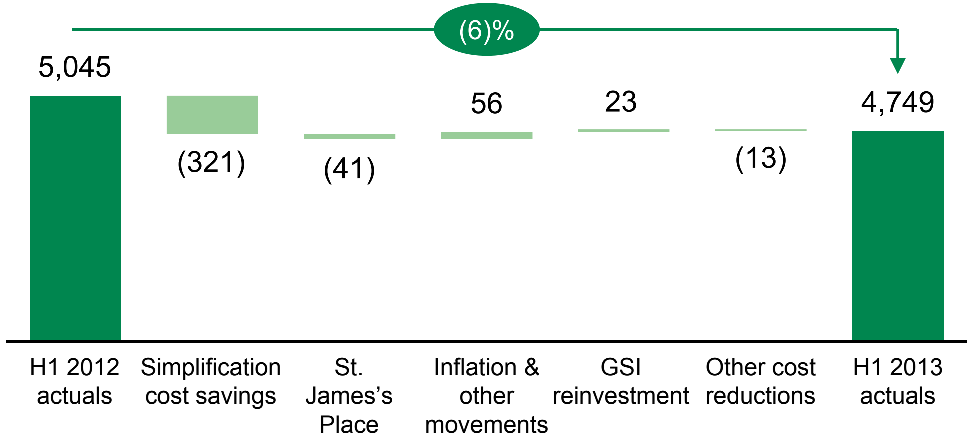
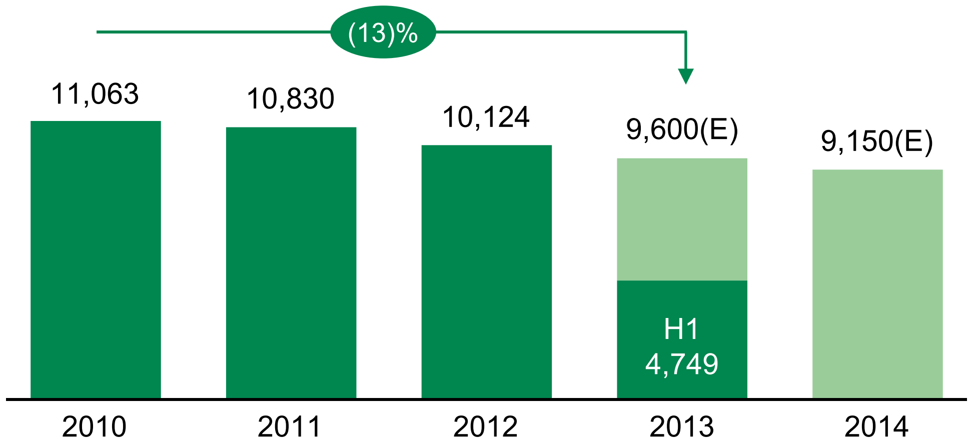
FINANCIAL PERFORMANCE
Maintaining the reducing cost trend

TOTAL COSTS (£m)



TOTAL COSTS TREND (£m)



- **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

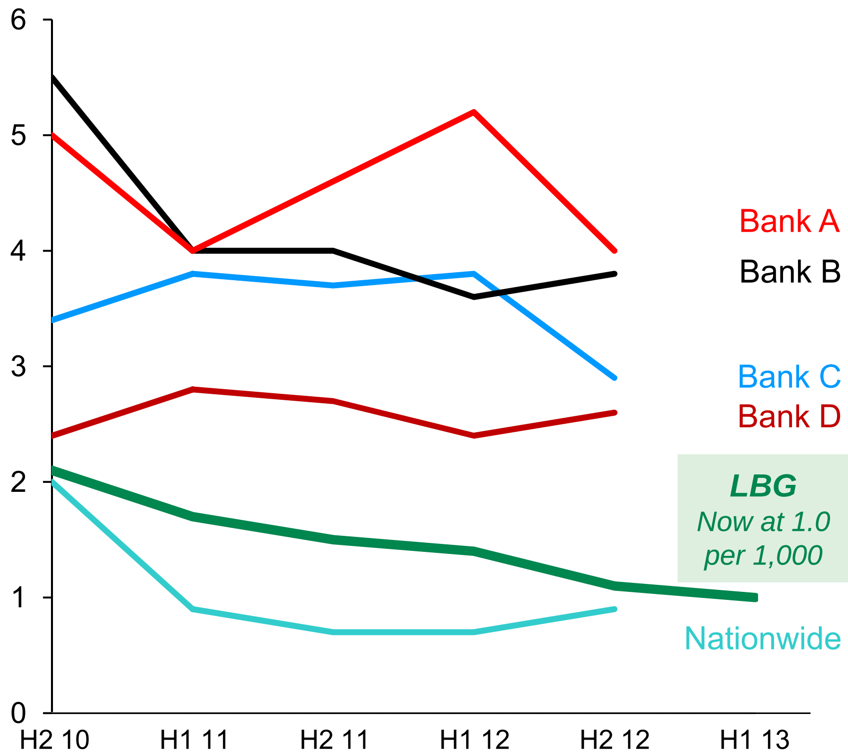
TELEPHONE BANKING

- 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

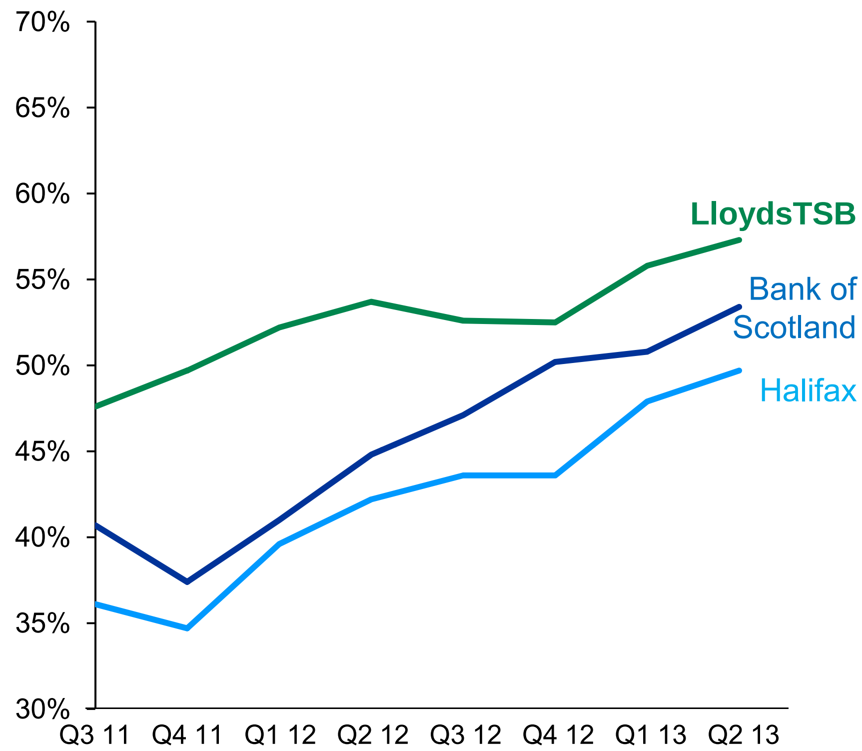
SIMPLIFICATION AND BEST BANK FOR CUSTOMERS

Strong reduction in complaints, with customer service continuing to improve…

FCA BANKING COMPLAINTS PER 1,000 ACCOUNTS (excluding PPI)



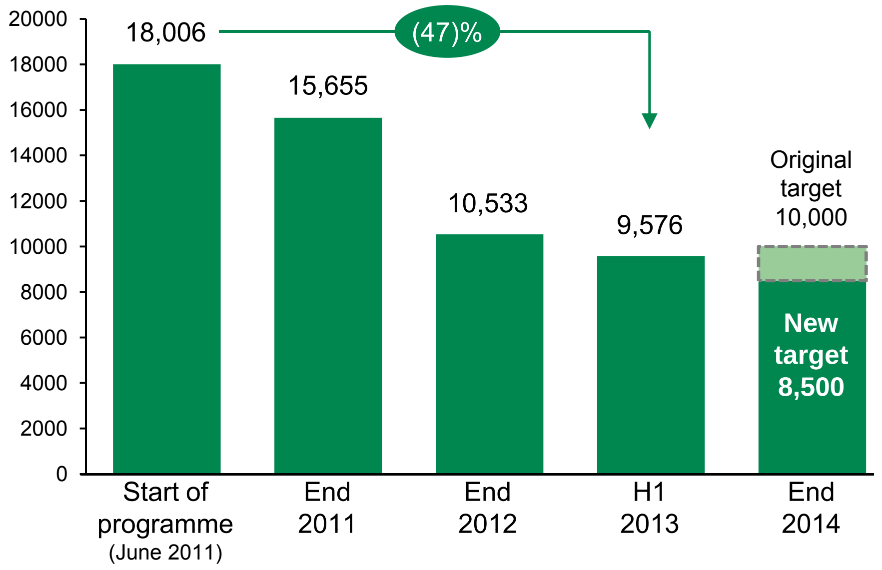
CUSTOMER SATISFACTION NET PROMOTER SCORES



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

SIMPLIFYING THE GROUP
Two years into the programme, strong progress continues

TOTAL SUPPLIER NUMBERS

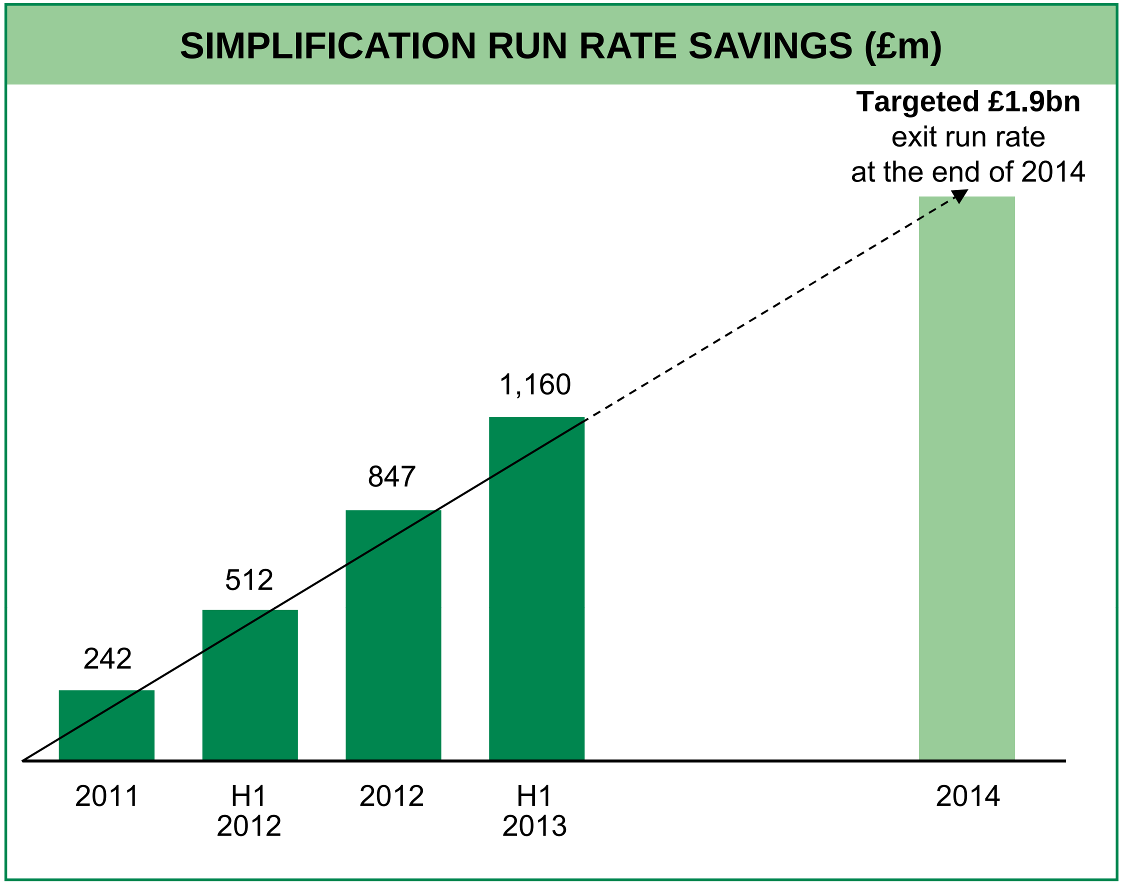


- **Number of suppliers reduced by 47% since start of programme to <9,600**
- **Over 80% of spend now concentrated with top 100 suppliers**
- **Original target of 10,000 suppliers achieved and now revised to 8,500 by end 2014**

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**

AGENDA

LLOYDS BANKING GROUP

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

HALF YEAR 2013 SUMMARY
Strong progress in delivering clearly differentiated strategy

LLOYDS BANKING GROUP

- **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

LLOYDS BANKING GROUP

- **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

- **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

LLOYDS BANKING GROUP

FORWARD LOOKING STATEMENTS

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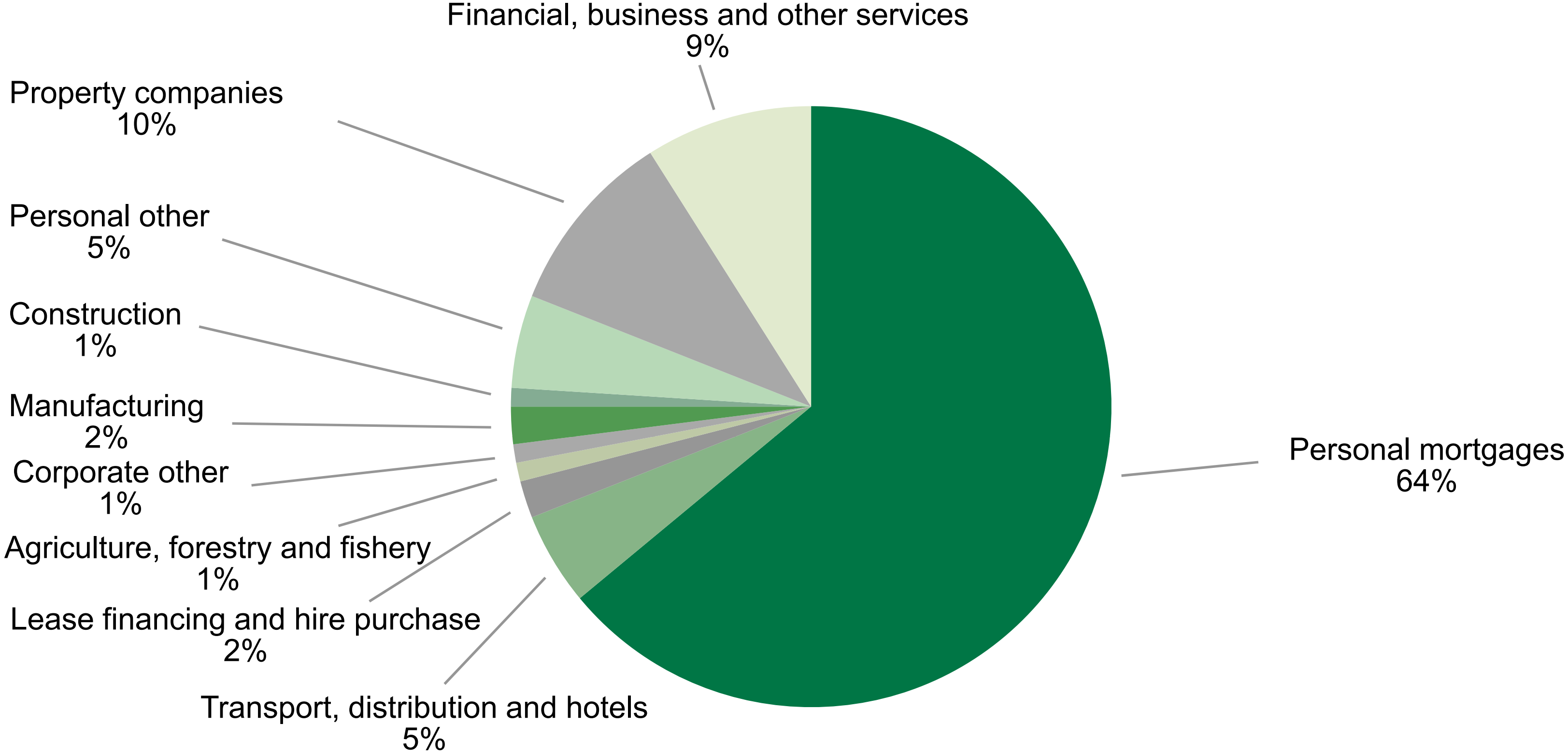
APPENDIX

LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS £520.4bn[1]

30 Jun 2013

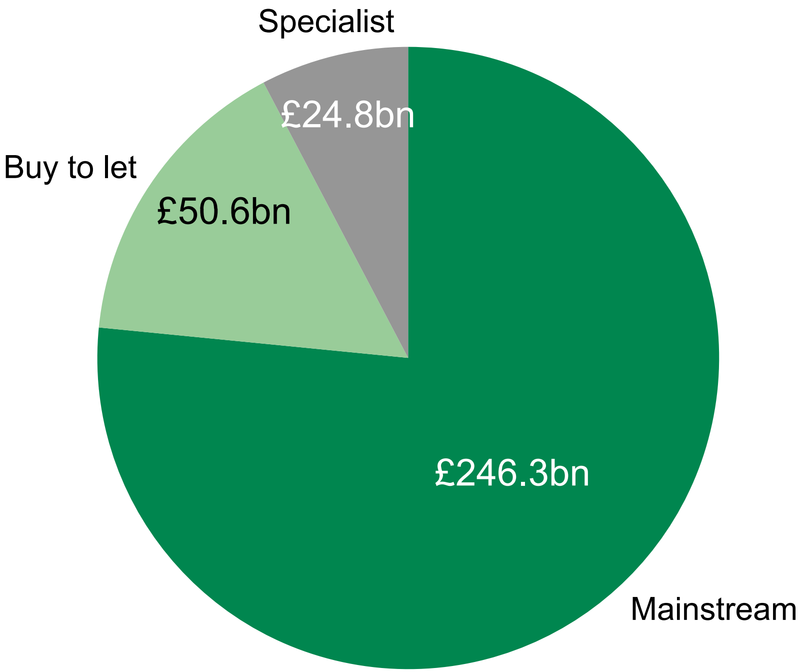


[1] Before allowance for impairment losses.

UK MORTGAGE PORTFOLIO

UK MORTGAGE PORTFOLIO £321.7bn[1]

30 Jun 2013



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

[1] Before allowance for impairment losses and fair value adjustments.

MORTGAGE PORTFOLIO LTVs

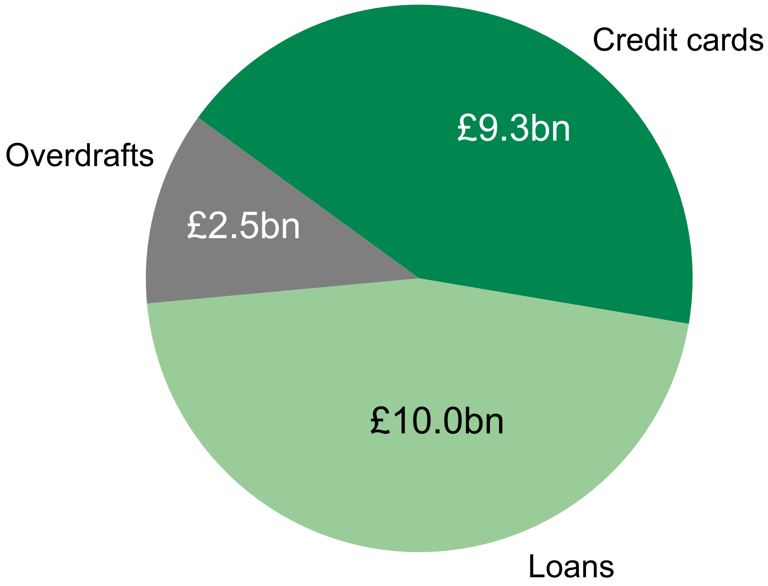
	Mainstream Jun 2013	Buy to let Jun 2013	Specialist Jun 2013	Total Jun 2013	Total Dec 2012
Average LTVs	50.6%	69.6%	68.9%	**54.0%**	56.4%
New business LTVs	63.4%	64.8%	n/a	**63.6%**	62.6%
≤80% LTV	69.8%	61.7%	50.0%	**67.0%**	59.6%
>80–90% LTV	15.6%	14.9%	19.9%	**15.8%**	16.8%
>90–100% LTV	8.3%	14.6%	16.4%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

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

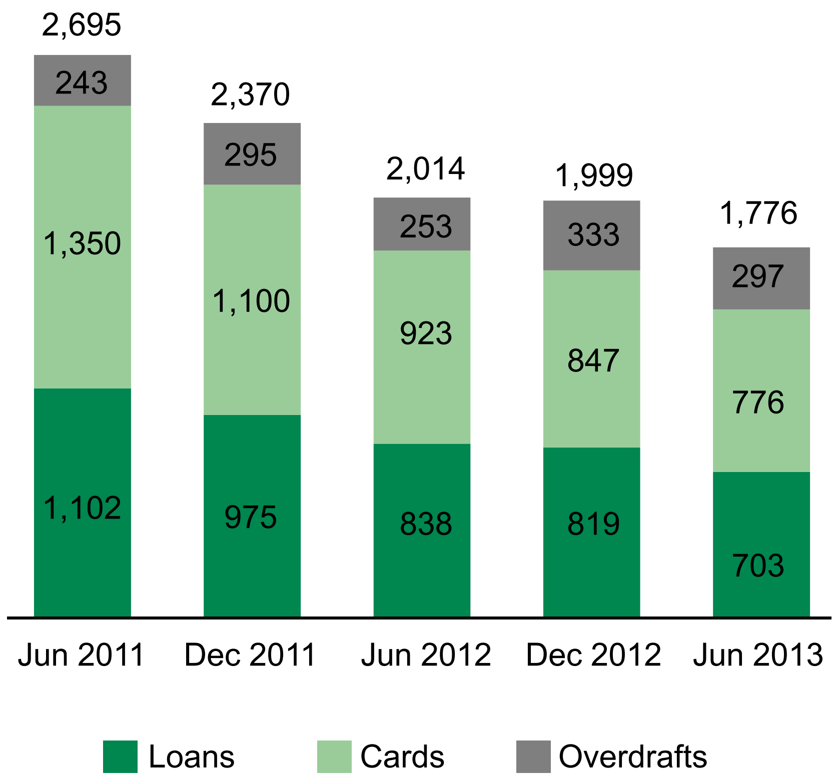
UNSECURED LENDING PORTFOLIO

UNSECURED PORTFOLIO £21.8bn[1]

30 Jun 2013



IMPAIRED BALANCE (£m)

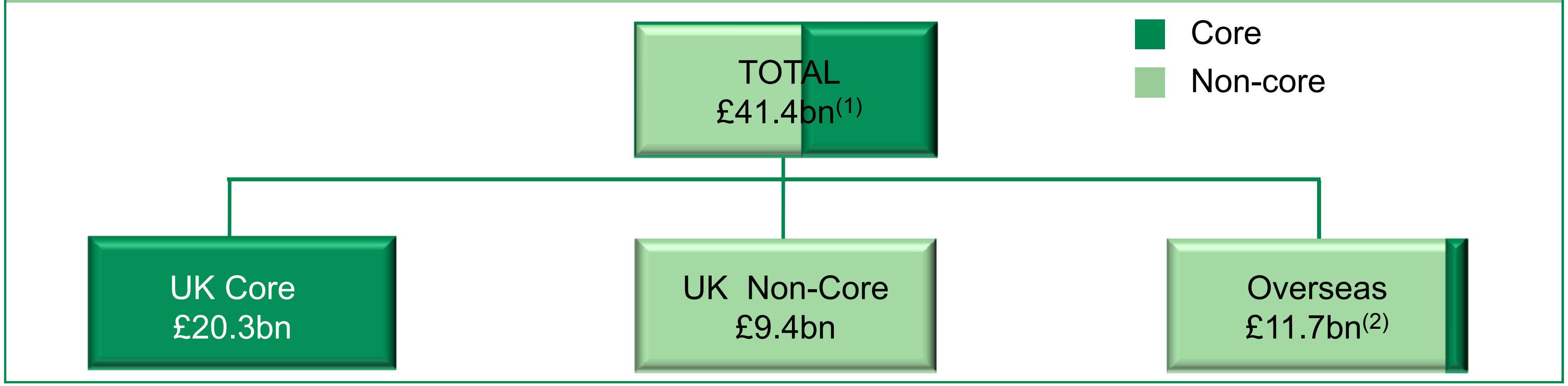


[1] Before allowance for impairment losses and fair value adjustments.

DIRECT REAL ESTATE LENDING
Commercial/Residential property

LLOYDS BANKING GROUP

COMMERCIAL/RESIDENTIAL PROPERTY



UK Core

- 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

UK Non-Core

- 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

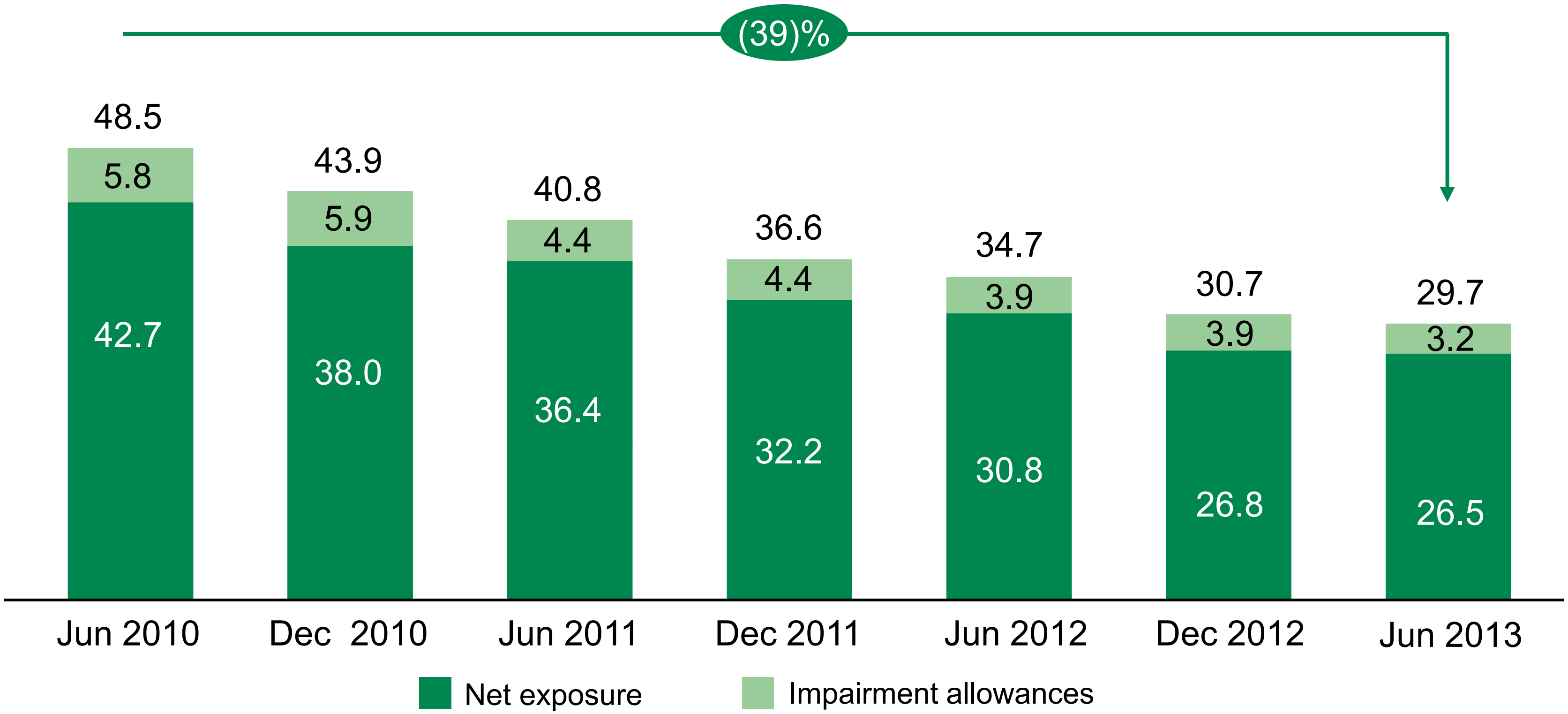
Overseas

- 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

(1) Gross (pre FV adjustment and impairment). Excludes £9.4bn of social housing exposure (local authority cashflows) and £1.5bn of housebuilder lending.
(2) Also includes lending to non UK residents (but excludes residential mortgages).

DIRECT REAL ESTATE LENDING
Commercial/Residential property

UK COMMERCIAL/RESIDENTIAL PROPERTY BOOK £29.7bn[(1)]



Reductions reflect strategic focus

(1) 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.

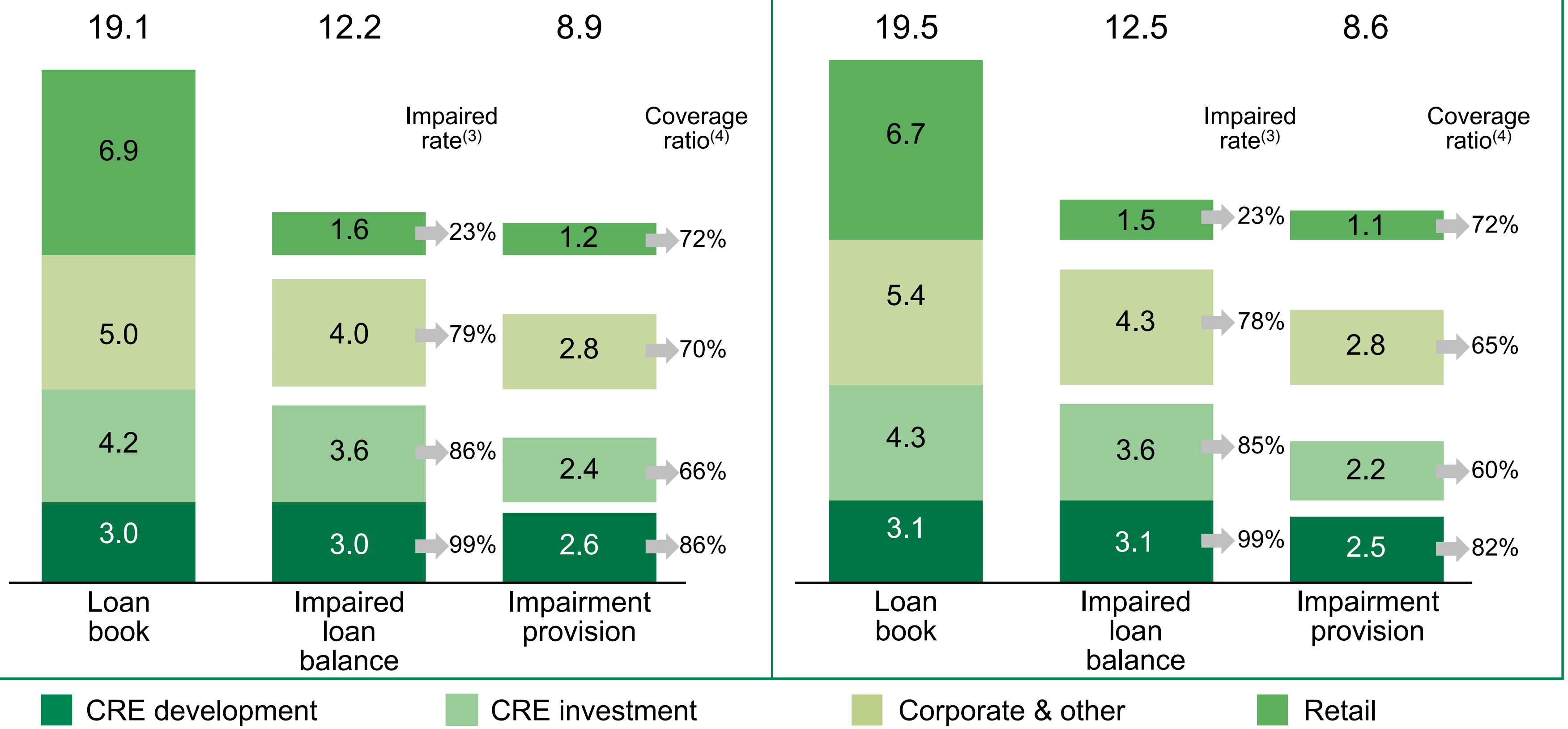
IRISH PORTFOLIO

Robust coverage which minimises downside risks

PORTFOLIO BREAKDOWN (£bn)

30 Jun 2013
Gross assets: £19.1bn [1] (Net: £10.2bn)
Non-retail gross assets: £12.2bn (Net: £4.5bn)

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



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

SELECTED EUROZONE EXPOSURES

Substantial reductions achieved and minimal sovereign exposures remain

(£m)	Sovereign debt[1]	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
Jun 2013	**16**	**1,925**	**433**	**7,946**	**5,766**	**154**	**16,240**
	(33)%	*(8)%*	*(35)%*	*(9)%*	*(18)%*	*(11)%*	***(13)%***
Dec 2012	**24**	**2,098**	**671**	**8,696**	**7,041**	**173**	**18,703**

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

NON-CORE REDUCTIONS

Non-core reductions continue to be capital accretive

LLOYDS BANKING GROUP

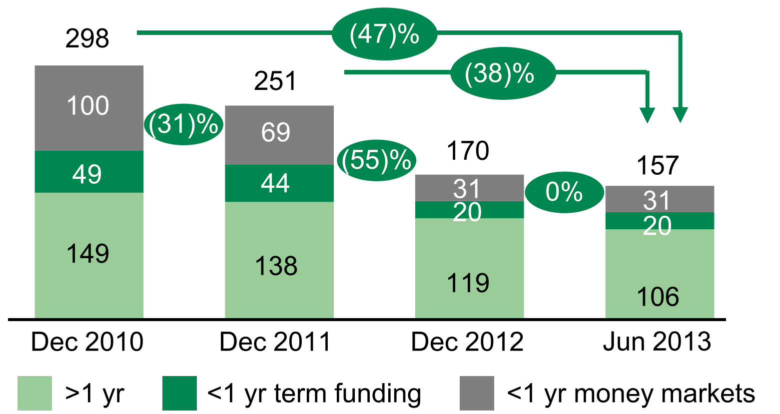
	H1 2013	H1 2012
Loss before tax[1] (£m)	**(621)**	(1,524)
Post tax loss → 'capital consumed' (£m)	**(477)**	(1,151)
Reduced RWAs (£bn)	**17.7**	15.4
at 10% → 'capital released' (£m)	**1,768**	1,540
Decrease in EEL[2] (£m)	**357**	14
Net capital released (£m)	**1,648**	403

(1) Management basis. (2) 50% core tier 1 impact.

BALANCE SHEET FURTHER STRENGTHENED

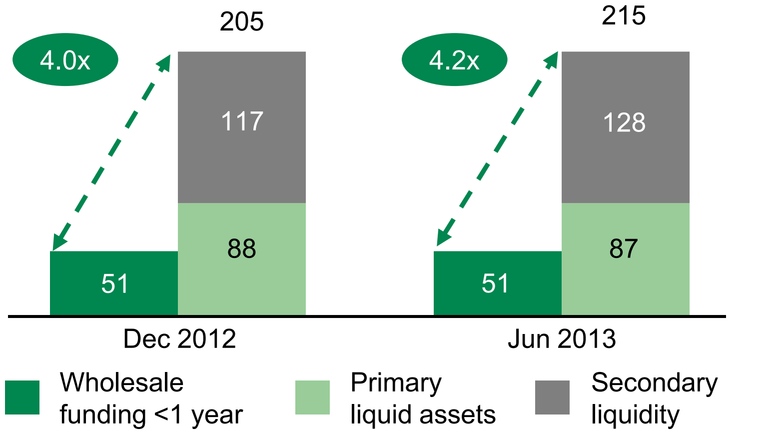
Funding transformation complete; liquidity coverage further improved

WHOLESALE FUNDING (£bn)



- Wholesale funding reduced by £12.6bn in the first half of 2013
- Short-term funding 32% of total wholesale funding
- LTRO fully repaid

LIQUIDITY (£bn)



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

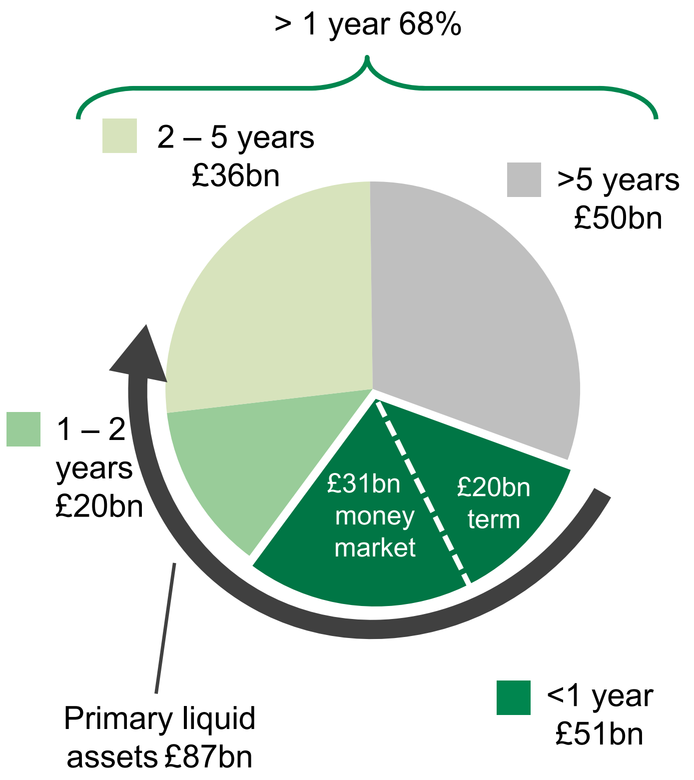
BALANCE SHEET FURTHER STRENGTHENED

Broad spread of wholesale funding with increasing asset coverage

£bn	Jun 2013	Dec 2012
Bank deposits[1]	**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)	**157**	170
Customer deposits[1]	**431**	423

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

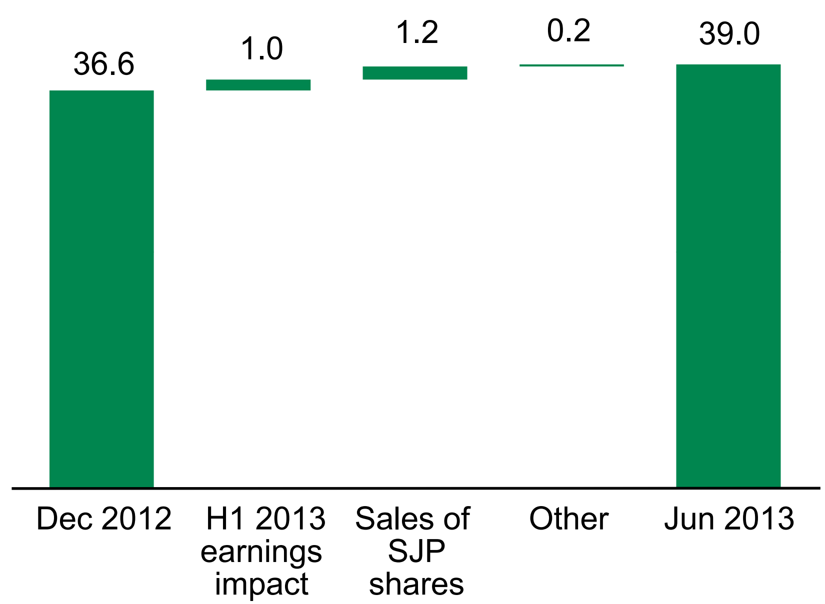
WHOLESALE FUNDING £157bn



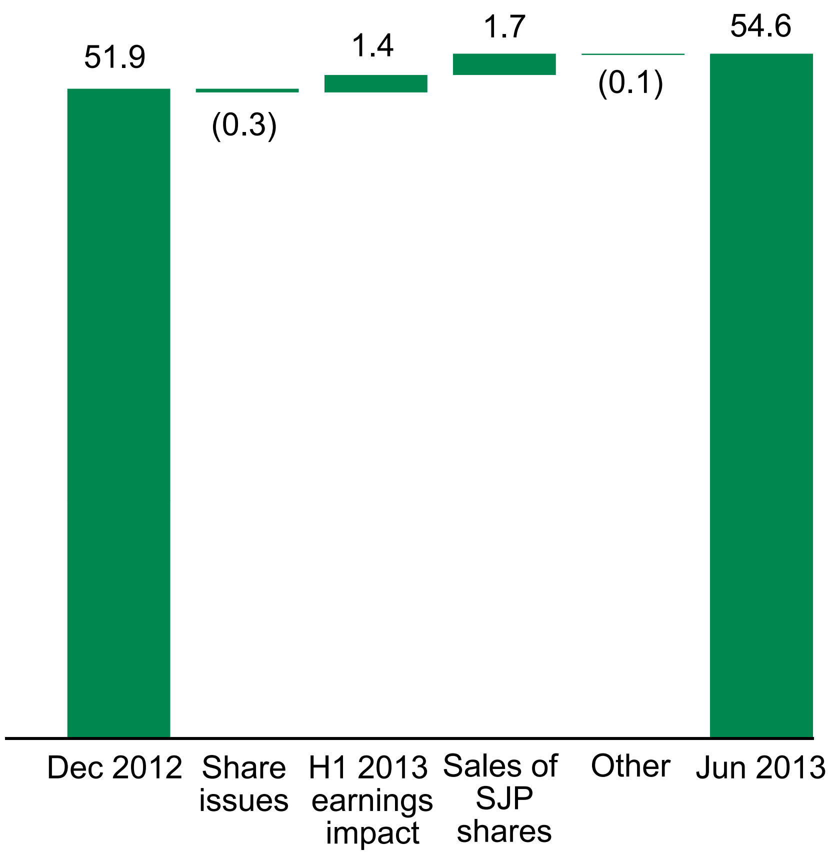
[1] Excluding repos.

NET TANGIBLE ASSETS

NET TANGIBLE ASSETS (£bn)



NET TANGIBLE ASSETS PER SHARE (p)



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