

# United Kingdom

**Half 1 2013**

*London, 30 July 2013*

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# Overview – First Half 2013

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## Financial highlights

- Attributable profit of £414m, supported by resilient credit quality and costs discipline and with reduced pressures on income
- H1'13 saw an upturn in net interest income from H2'12, and an improvement in Banking NIM to 1.46%<sup>1</sup>
- Costs well controlled, with operating expenses only slightly higher principally due to increased regulatory compliance and control costs
- Good credit quality maintained across Retail and Corporate Banking portfolios
- Strong balance sheet; Core Tier 1 Capital ratio of 12.4%<sup>1</sup> improved through lower RWAs as a result of the managed reduction of the mortgage portfolio; loan to deposit ratio improved to 122%

## Acceleration in the transformation of the UK business

- Some 1.9 million 1|2|3 World customers in Retail Banking, with a continued focus on building primary banking relationships
- Targeted growth in retail deposits; current account balances up £5.4bn to £21.3bn, 34% increase in the first half
- Residential mortgage gross lending of £7.9bn
- SME lending up 12% from June 2012, despite a subdued economic environment
- Improved customer satisfaction, as measured by the independent Financial Research Survey ('FRS')<sup>2</sup>; our overall score up 3.7 p.p. since June 2012

<sup>1</sup> Core Tier 1 Capital ratio and Banking NIM calculated on a UK statutory basis and including the impact of the H1'13 dividend

<sup>2</sup> See slide 15 for full details

# Agenda

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- **Market Environment**

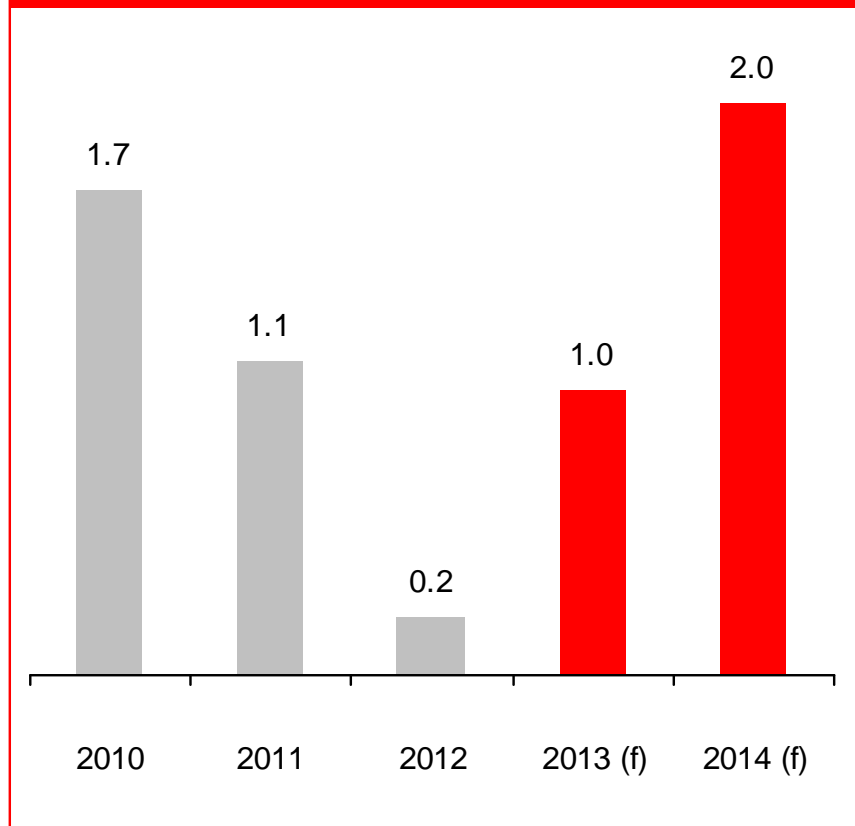
- **First Half 2013**

- **Strategic and Business Update**
- **Results**

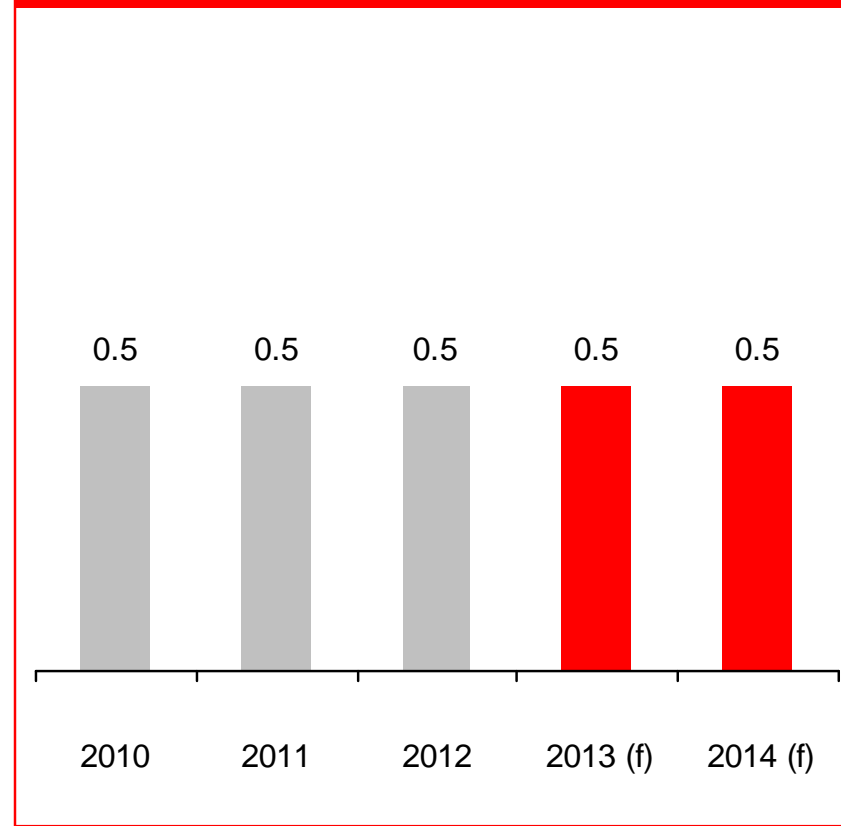
# Market Environment – GDP and Interest Rates

Economic activity improving, but still with challenges

Annual GDP Growth (% , annual average)



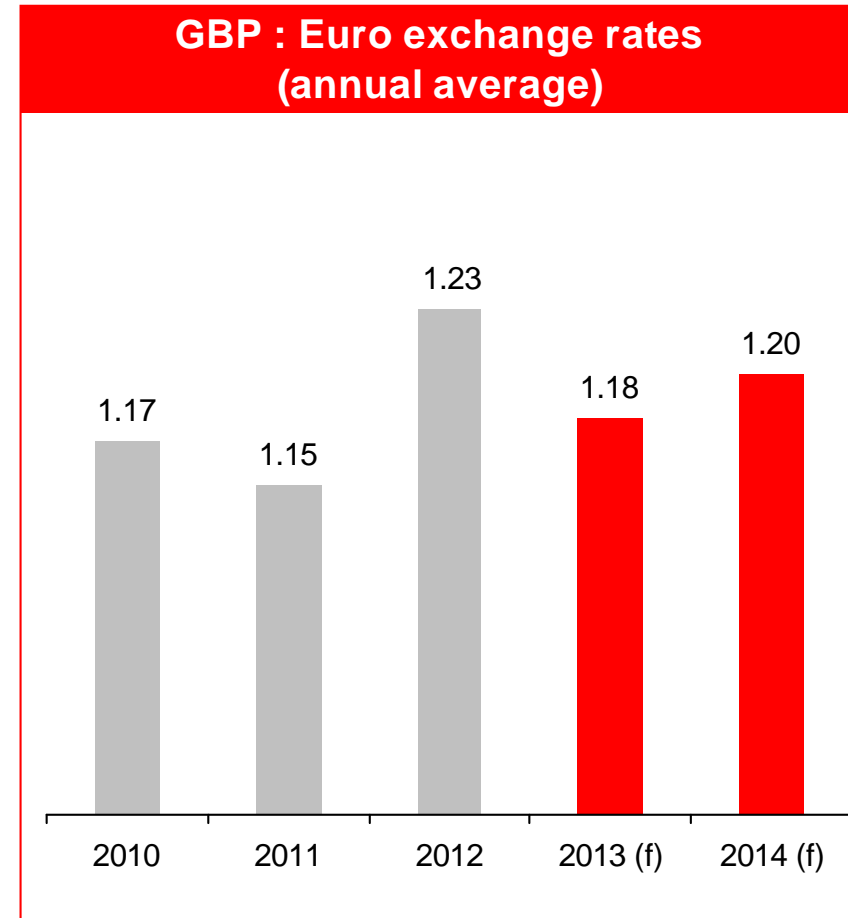
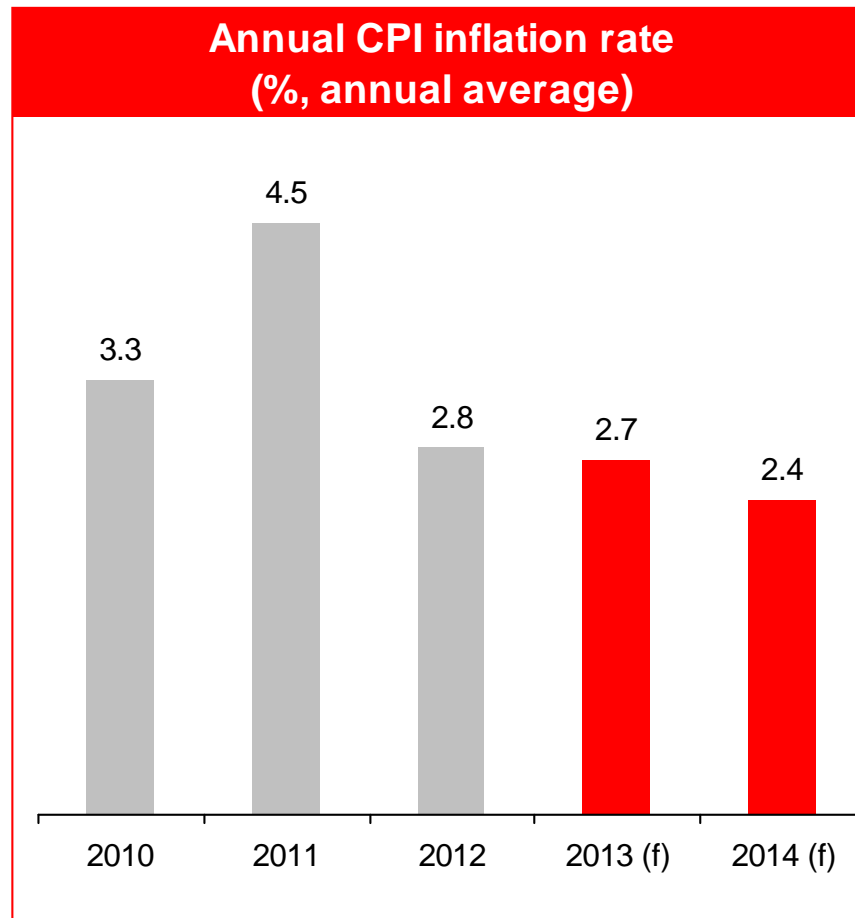
Interest Rates (% , annual average)



Source - Office for National Statistics and Bank of England  
(f) – Santander UK July 2013 forecast

# Market Environment – Inflation and Exchange Rates

**Inflation persists ... with exchange rates impacted by central banks' actions**

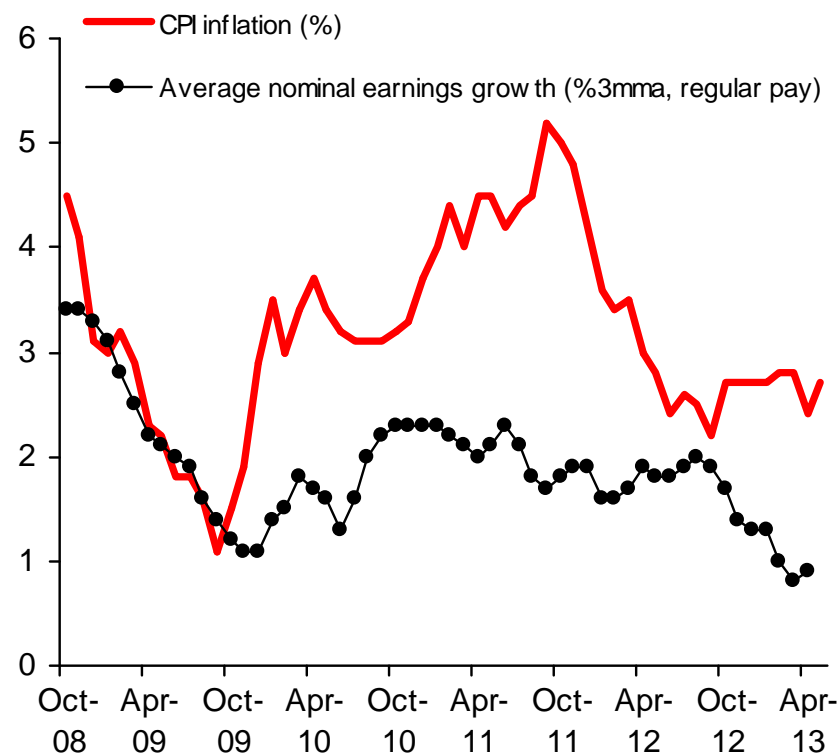


Source - Office for National Statistics and Bank of England  
(f) – Santander UK July 2013 forecast  
\* Consumer Price Index

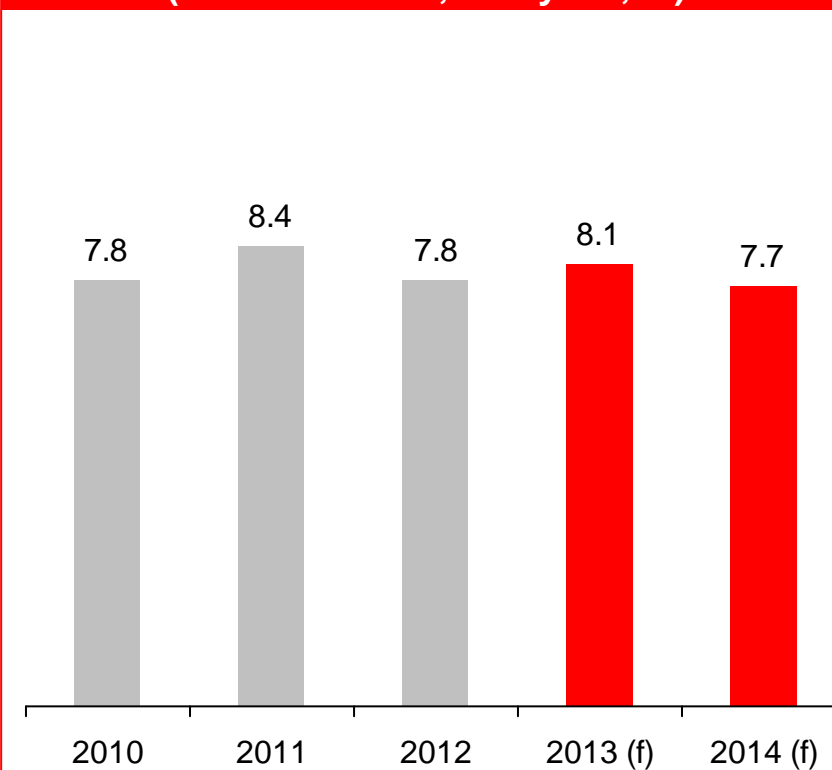
# Market Environment – Earnings Growth and Unemployment <sup>7</sup>

Real earnings falling ... unemployment broadly steady

Inflation and Average earnings growth



Unemployment rate  
(ILO<sup>1</sup> definition, end year, %)

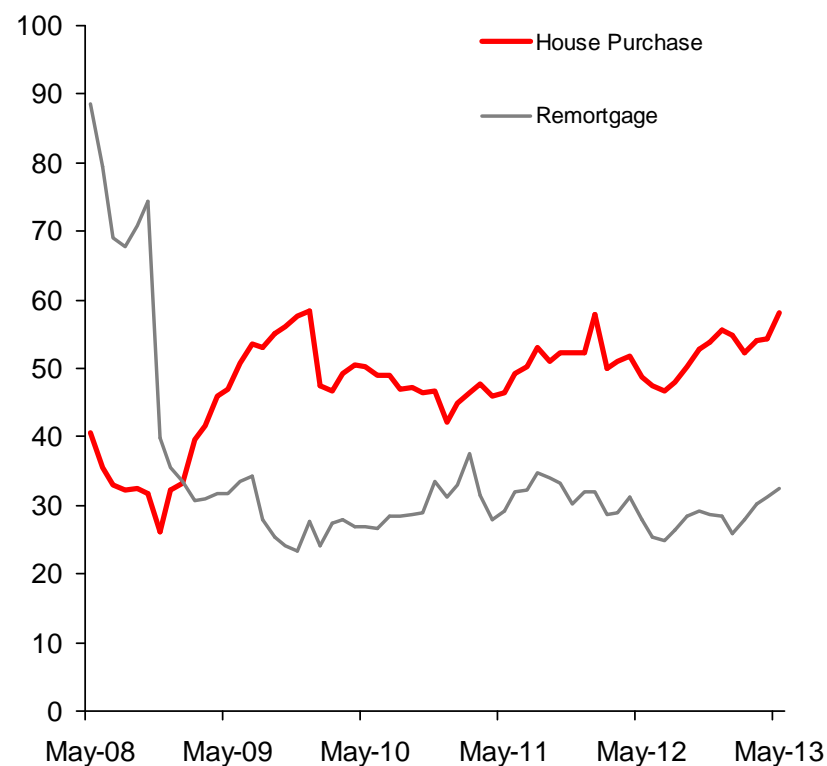


# Market Environment – Housing Market Activity

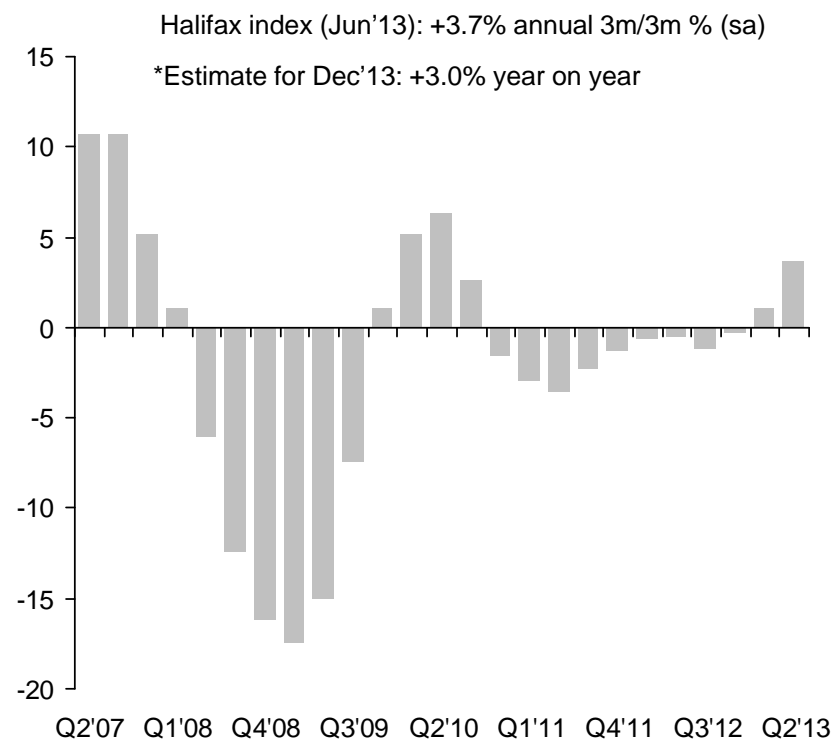
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## Housing market volumes and house prices rose modestly in H1'13

House purchase and remortgage approvals  
(000s, sa)<sup>1</sup>



UK house price inflation (annual %, sa)<sup>2</sup>



<sup>1</sup> Source – Bank of England

<sup>2</sup> Source – Lloyds Banking Group/Halifax

(\*) Estimated by Santander UK, July 2013, end period data

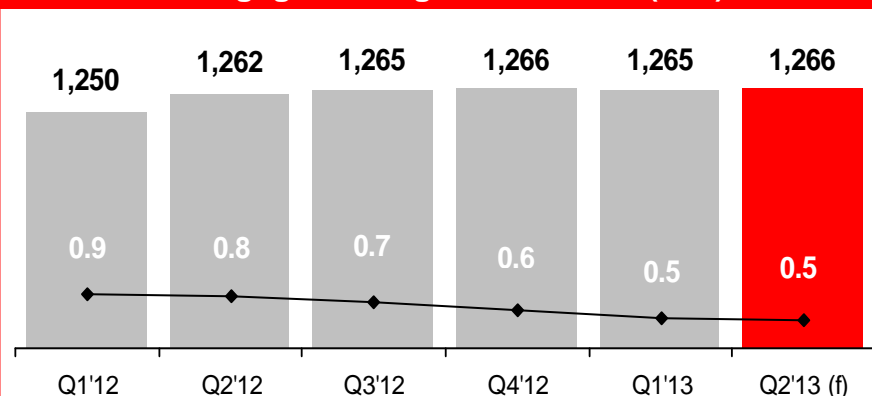


# Market Environment – Credit and Deposit Growth

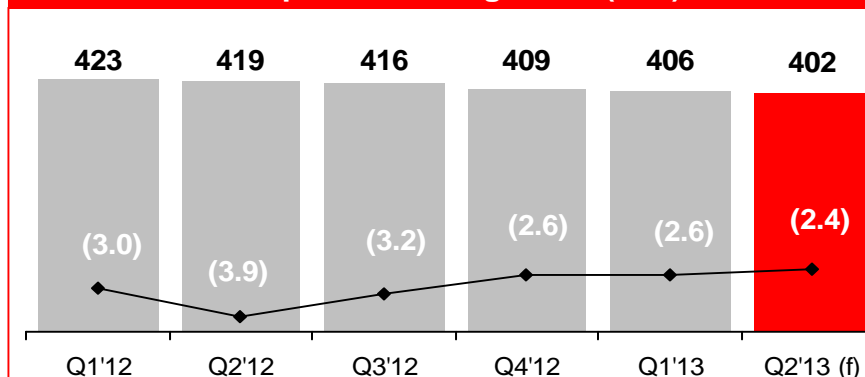
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**Mortgage and corporate loan growth remain weak. Consumer credit growth stronger**

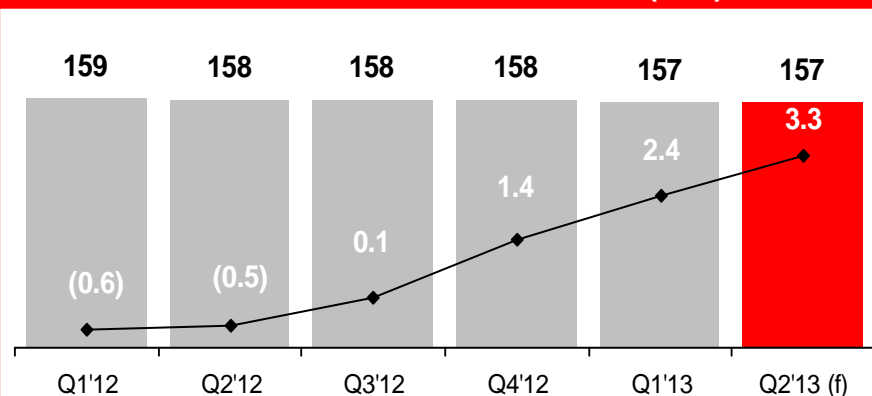
**Mortgage lending market stock (£bn)**



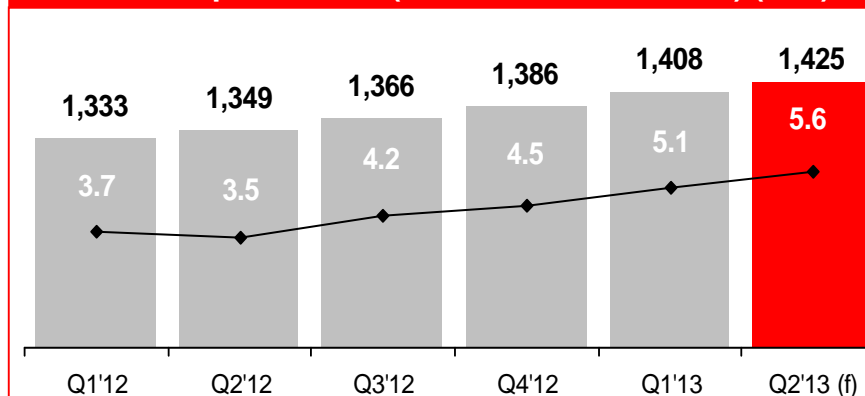
**Corporate lending stock (£bn)**



**Consumer credit market stock<sup>1</sup> (£bn)**



**Retail deposit stock (incl. current accounts) (£bn)**



**Retail deposits have seen improving growth**

Source – Bank of England  
(f) Estimated by Santander UK, July 2013

<sup>1</sup> The Bank of England now excludes student loans from consumer credit figures

◆ Annual growth rates (%)



# Agenda

- Market Environment

- **First Half 2013**

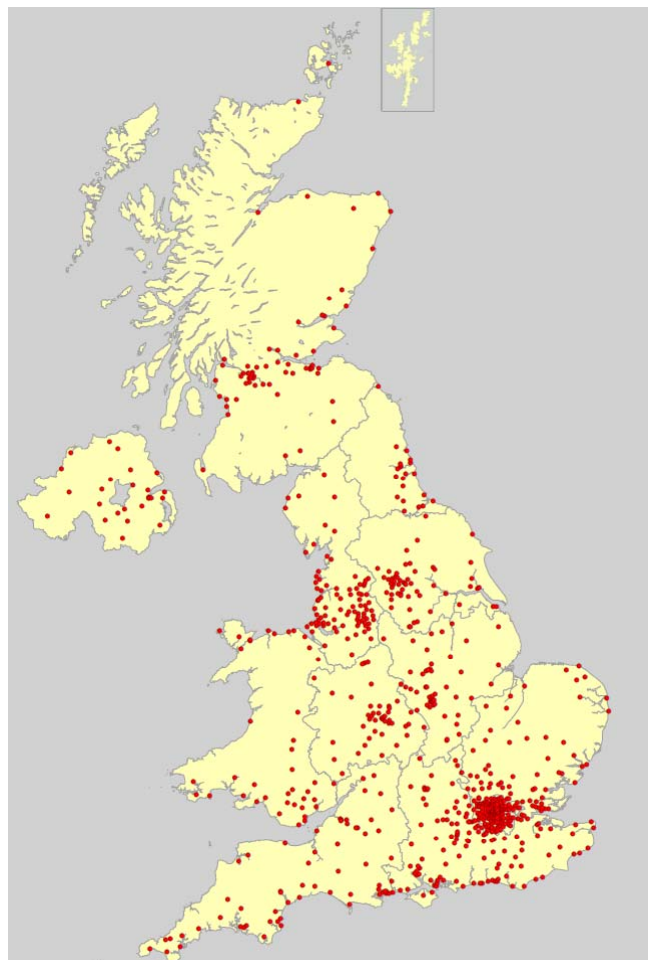
- **Strategic and Business Update**

- Results

# Snapshot – United Kingdom, as at 30 June 2013

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## Santander UK's Branches



## Balance Sheet and Key Metrics

		Change from Jun'12	Change from Dec'12
	£bn	%	%
Residential Mortgages <sup>1</sup>	159.8	(6)	(3)
Corporate Banking Assets <sup>2</sup>	21.0	11	7
of which SME loans	10.9	12	3
UK Banking Assets <sup>3</sup>	180.6	(5)	(2)
Customer Loans	191.0	(5)	(2)
Customer Deposits	150.5	1	1
UK Banking Liabilities <sup>3</sup>	140.5	4	0
Medium Term Funding	59.6	(20)	(9)
	%	p.p.	p.p.
Total NPLs	2.01	0.18	(0.04)
Mortgage Coverage Ratio	20	n/a	n/a
Total Coverage Ratio	42	5	(1)
Loan to Deposit Ratio	122	(8)	(7)

## Key Market Shares - Stock

		Change from Jun'12	Change from Dec'12
	%	p.p.	p.p.
Residential Mortgages	12.6	(1.0)	(0.4)
SME lending <sup>4</sup>	5.5	0.6	0.2
Deposits	9.1	(0.4)	(0.3)
Bank Accounts	9.4	0.2	0.1

<sup>1</sup> Residential mortgages includes residential retail mortgages and Social Housing loans, to align with mortgage industry reporting

<sup>2</sup> Corporate Banking excludes non core corporate portfolio and legacy assets in run-off managed in the Corporate Centre

<sup>3</sup> UK Banking consists of Retail Banking and Corporate Banking segments

<sup>4</sup> SME lending market share includes assets held in Corporate Banking, Retail Banking and Corporate Centre. SME assets totaled £12.3bn in Jun'13; £12.1bn in Dec'12; £11.3bn in Jun'12

# Our Strategic Priorities

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**Loyal and satisfied customers**

2

**'Bank of Choice' for UK companies**

3

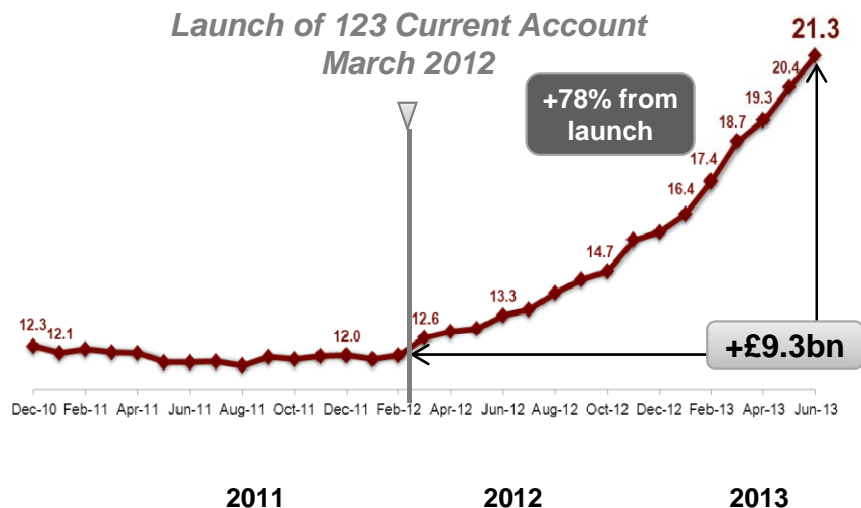
**Consistent profitability and strong balance sheet**

# 1 Delivering Value to Primary Banking Customers

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In H1'13, 130,800 customers switched their bank account to Santander UK

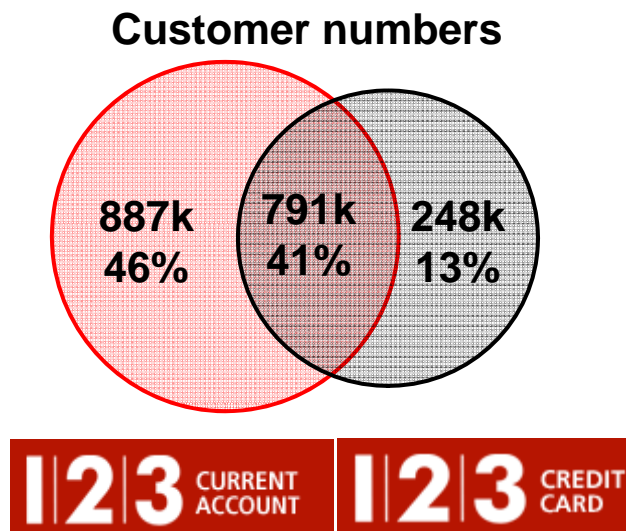
## Retail current account balances (£bn)



- Current account balances increased by £5.4bn, +34%, in the first half; evidence of the considerable transformation of our retail relationship banking business
- Some 1.9 million customers with 1|2|3 World products; 887,000 with 1|2|3 Current Accounts, 248,000 with 1|2|3 Credit Cards and 791,000 customers holding both products
- 1|2|3 World has driven increased balances, greater product penetration and higher average credit card spend

# 1 1|2|3 World has 1.9m Customers

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## 1|2|3 World is transforming the customer profile ...

Non 1 2 3		1 2 3 World
8%	affluent	28%
39%	primary banking	83%
1.6	products per customer	2.9

Before 1 2 3		1 2 3 World
8%	fee paying Current Account	59%
<4k	staff Current Account	19k

## ... and boosting customer perceptions<sup>1</sup>

**96%** satisfied with 1|2|3 Current Account

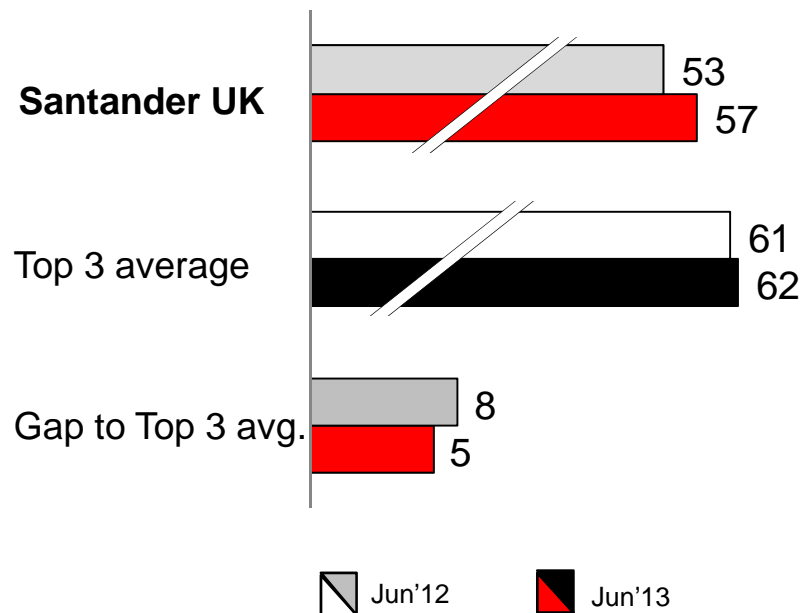
**91%** satisfied with 1|2|3 Credit Card

# 1 High Quality Service at the Core of our Business Model

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## FRS<sup>1</sup>: Overall Satisfaction (%)<sup>2</sup>

## Investing in service and delivering results



- Santander UK continued to improve customer satisfaction as measured by FRS, with further progress towards top 3 position
- We are delivering on our 'Simple, Personal and Fair' commitments by simplifying product portfolios across the bank, making it easier for customers to bank with us
- We are investing in our infrastructure to address the footprint and provide a better customer experience

**TARGET: To become a top 3 bank by 2015**

<sup>1</sup> Financial Research Survey (FRS) is an independent monthly survey of circa 5,000 consumers covering the personal finance sector, run by GfK NOP

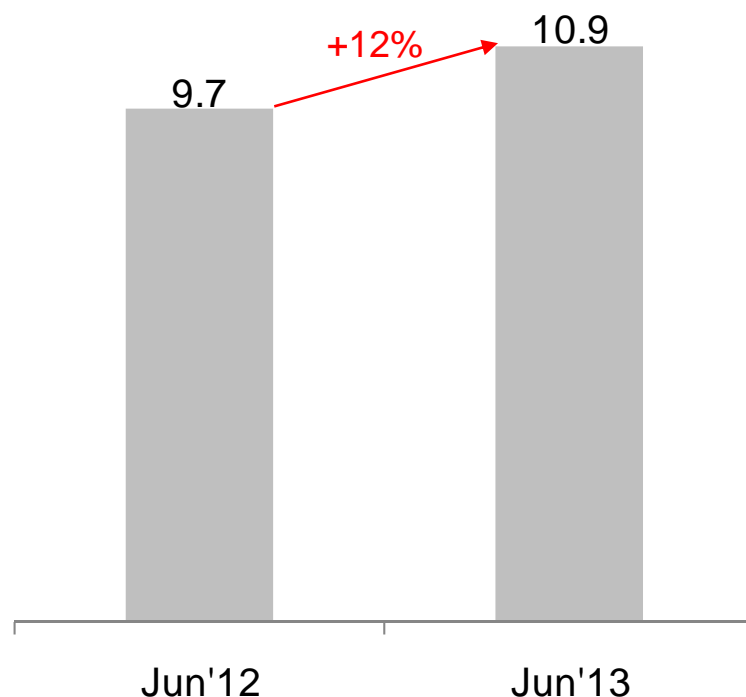
<sup>2</sup> Overall Satisfaction: Satisfaction score refers to proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK and competitor brands. Data for the 3 months ending June 2012 and June 2013. Competitor set includes Barclays, Halifax, HSBC, Lloyds TSB and NatWest

## 2 Building a More Balanced Business Mix

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**12% SME lending growth since June 2012**

### SME customer assets<sup>1</sup> (£bn)



### Actively supporting SME lending

- Further developed our capacity to service SMEs, with more customer-facing staff in our growing network of regional Corporate Business Centres and branches
- Progress with initiatives to improve SMEs' access to cash flow, including supply-chain finance, asset and invoice finance and a fleet management and vehicle programme
- Continued to develop the range of ancillary business services to new and existing Large Corporate customers (turnover of more than £500m). There is a focus on providing these customers with access to international expertise and foreign exchange services from across the Santander group

<sup>1</sup> Corporate Banking SME is commercial lending excluding business banking and non-core portfolio and legacy assets in run-off managed in the Corporate Centre



### 3 Strong Balance Sheet

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UK based business	98% of customer assets are UK related	<ul style="list-style-type: none"> <li>• <b>£152.3bn</b> residential retail mortgages; <b>£21.0bn</b> Corporate Banking loans</li> <li>• UK focused; net exposure<sup>1</sup> of c. <b>0.6%</b> of total assets to Eurozone peripheral countries<sup>2</sup></li> </ul>
Strong funding and liquidity	Targeted improvement to the quality of the deposits mix	<ul style="list-style-type: none"> <li>• <b>Customer deposits increasing</b>, with a focus on accounts offering <b>better customer relationships</b></li> <li>• Customer deposits and MTF to customer loans ratio of <b>111%</b><sup>3</sup>; LDR of <b>122%</b></li> </ul>
	Wholesale funding	<ul style="list-style-type: none"> <li>• <b>Wholesale funding</b> of less than one year <b>decreased 13%</b> during H1'13 and was <b>23% lower</b> than a year ago, enhancing the capacity of the balance sheet</li> <li>• <b>Lower wholesale issuance required</b>; MTF issuance of <b>£2.5bn</b></li> </ul>
Credit quality and capital strength	Prudent risk management	<ul style="list-style-type: none"> <li>• Strong mortgage NPL coverage maintained at <b>20%</b></li> <li>• <b>Lending criteria tightened</b>, to improve credit quality and profitability of mortgage book</li> </ul>
	Strong core capital	<ul style="list-style-type: none"> <li>• Core Tier 1 capital ratio of <b>12.4%</b><sup>4</sup>, through organic profit generation</li> <li>• Total liquid assets of <b>£78.4bn</b><sup>5</sup>; PRA eligible liquid assets of <b>£35.0bn</b></li> <li>• <b>Declared an interim dividend of £215m</b>, continuing our dividend policy of <b>paying 50% of recurring earnings</b></li> </ul>

<sup>1</sup> Net of collateralised repos and reverse repos and derivatives subject to ISDA Master Agreements

<sup>2</sup> Greece, Italy, Ireland, Portugal, Spain and Cyprus ('GIIPSC')

<sup>3</sup> MTF is term funding at nominal value with an original maturity of greater than one year. MTF excludes any unencumbered collateral received as part of FLS

<sup>4</sup> Core Tier 1 capital ratio calculated on a UK statutory basis

<sup>5</sup> Total liquid assets consist of: PRA eligible assets; other highly liquid debt securities and bonds; equities; and debt securities and asset-backed securities issued by subsidiaries and retained by Santander UK and loans which are eligible at central bank operations

# Strategic and Business Update – Risk Management

## Prime mortgage book

- Credit quality built on core mortgage, retail unsecured and the corporate loan portfolios
- Strong coverage levels maintained: mortgage coverage 20%, unsecured Retail Banking portfolio above 100%, total 42%
- Lending secured on UK prime residential property is 80% of customer loans
- The mortgage NPL ratio increased to 1.87%, largely due to regulatory-driven policy and reporting changes as well as the impact of lower mortgage balances. These policy and reporting changes are not expected to result in significant additional write offs

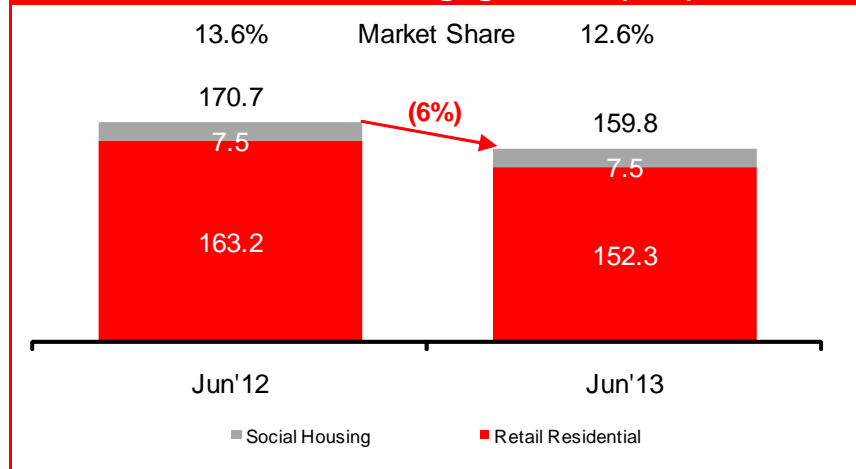
## Targeted asset reduction

- Action taken to manage the risks associated with interest only and higher LTV mortgages
- New retail unsecured lending at favourable risk adjusted returns written through direct channels and by way of 1|2|3 World
- Reduction in non core corporate portfolio to £10.4bn, from £11.5bn in June 2012

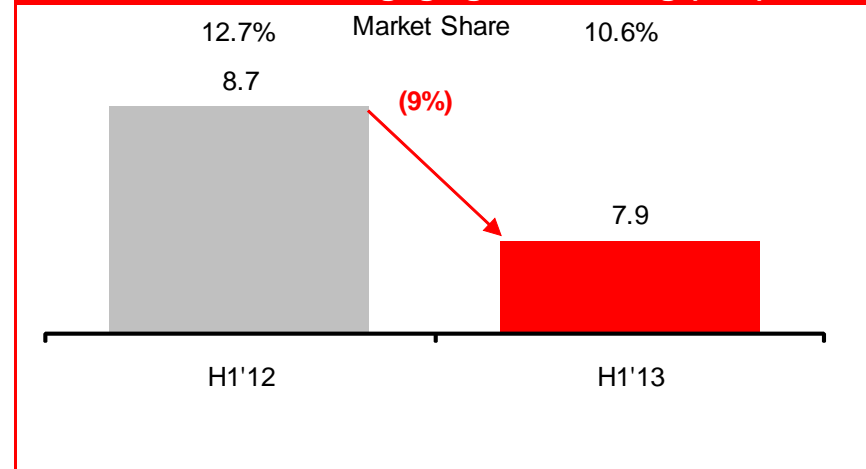
# Business Update – Customer Lending

**Mortgage lending focused on preferred segments;  
Corporate Banking growth rebalancing portfolio**

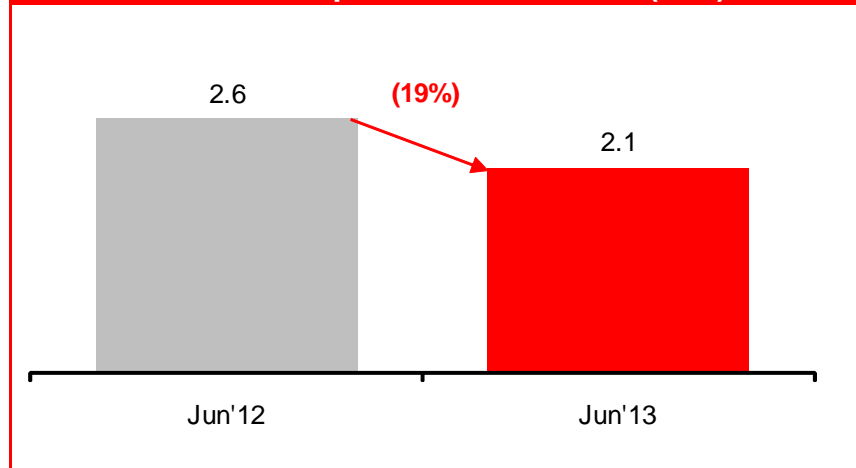
**Residential mortgage stock (£bn)**



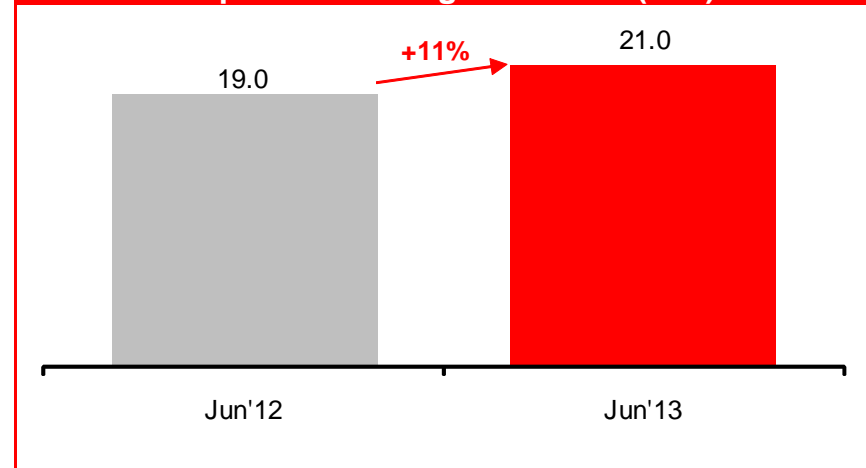
**Residential mortgage gross lending (£bn)**



**Unsecured personal loan stock (£bn)**



**Corporate Banking loan stock (£bn)<sup>1</sup>**



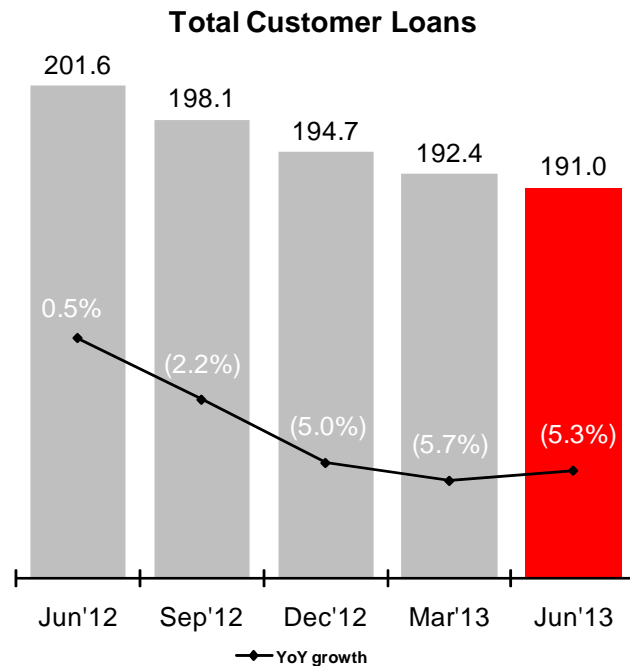
<sup>1</sup> Corporate Banking excludes non core corporate portfolio and legacy assets in run-off managed in the Corporate Centre

# Business Update – Customer Lending

**Mortgage lending performance in line with management expectations ... whilst growing core corporate lending**

Total Residential Mortgages (£bn)				
Jun'12	Sep'12	Dec'12	Mar'13	Jun'13
163.2	159.8	156.6	154.1	152.3
7.5	7.6	7.5	7.5	7.5
<b>170.7</b>	<b>167.4</b>	<b>164.1</b>	<b>161.6</b>	<b>159.8</b>
<b>13.6%</b>	<b>13.3%</b>	<b>13.0%</b>	<b>12.8%</b>	<b>12.6%</b>

Residential Retail Mortgage Stock  
Social Housing Stock  
**Residential Mortgage Stock**  
**Mortgage market stock share (%)**



£bn	Jun'13	Jun'13 v Jun'12
Residential Retail Mortgages	152.3	(7%)
Consumer Lending <sup>1</sup>	7.3	(8%)
Retail Banking	159.6	(7%)
Corporate Banking	21.0	11%
<b>UK Banking</b>	<b>180.6</b>	<b>(5%)</b>
Non-core corporate	10.4	(10%)
<b>Total Customer Loans</b>	<b>191.0</b>	<b>(5%)</b>

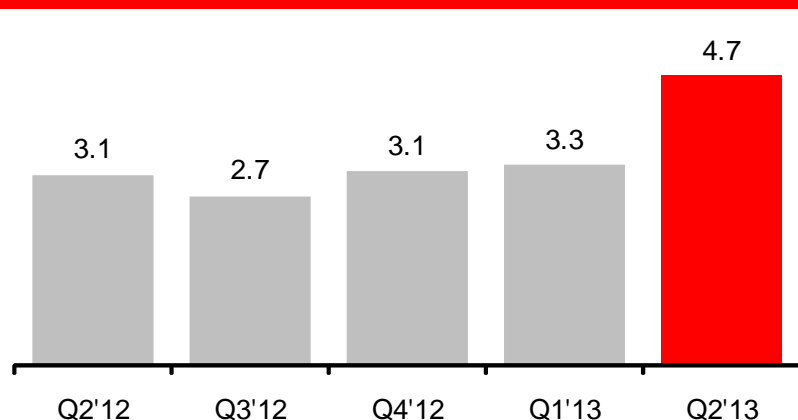
<sup>1</sup> Consumer Lending includes UPLs, Retail Banking overdrafts, Cahoot, Santander Cards, Santander Consumer Finance and Business Banking

# Business Update – Mortgage Lending

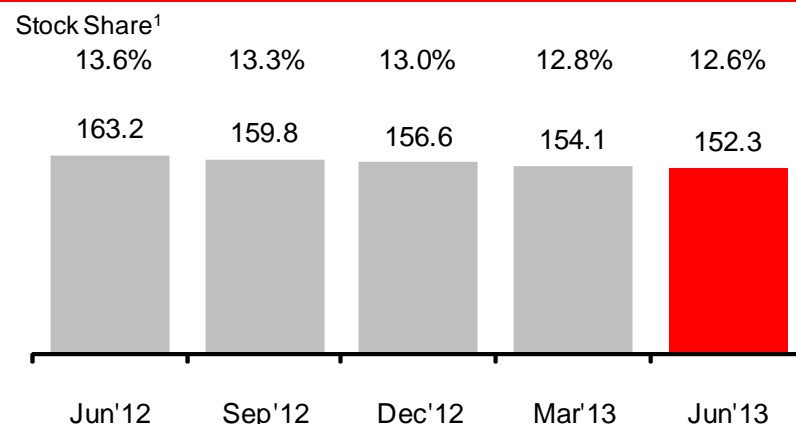
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## Mortgage flows targeted to lower risk segments in a subdued market

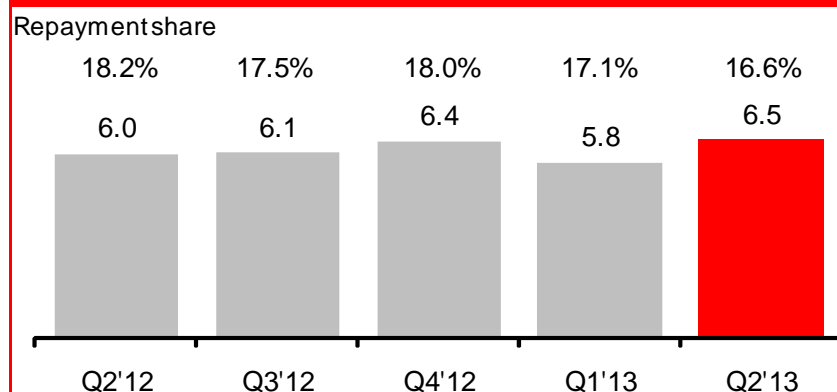
### Residential mortgage gross lending<sup>1</sup> (£bn)



### Residential retail mortgage stock<sup>2</sup> (£bn)



### Residential mortgage repayments<sup>1</sup> (£bn)



### Comments

- Mortgage gross lending for the first half was £7.9bn, a market share of c. 10.6%
- Residential retail mortgage loan stock decreased £4.3bn in the first half, following the early 2012 tightening of lending criteria on interest only and higher LTV mortgages
- Interest only mortgage balances fell £3bn in the period
- SVR balances continued to grow in the low interest rate environment, and now represent 36% of the mortgage book

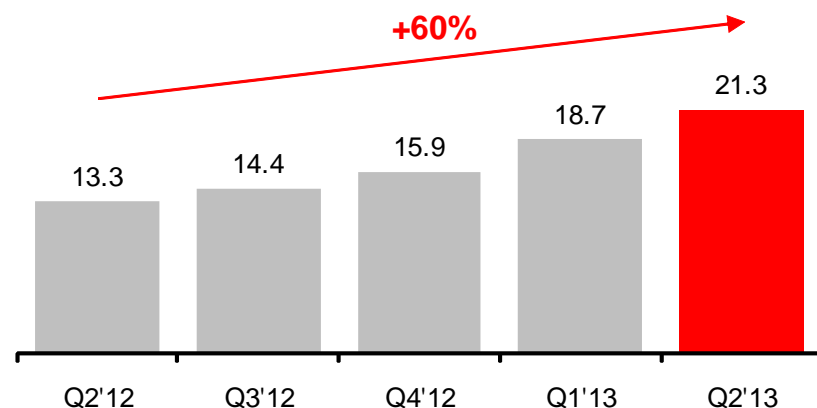
<sup>1</sup> Includes Social Housing loans as per CML market data

<sup>2</sup> Excludes Social Housing loans

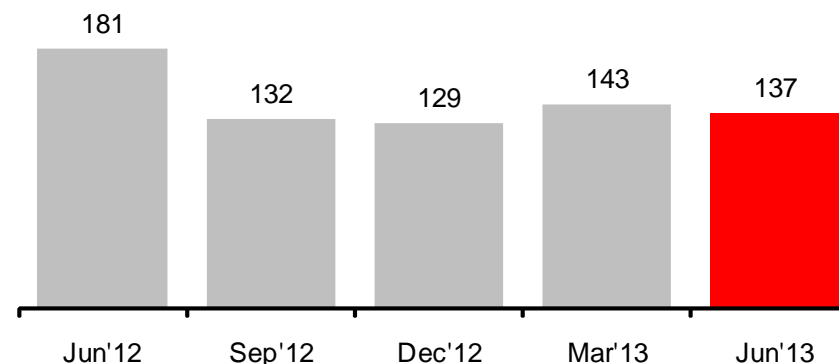
# Business Update – Current Accounts, Credit Cards and UPLs<sup>22</sup>

## Developing loyal and satisfied primary account relationships

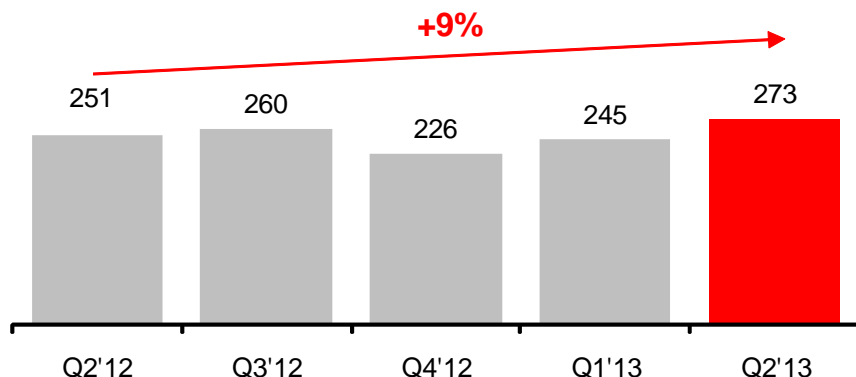
Current account liabilities (£bn)<sup>1</sup>



Credit card openings ('000s)



UPL gross lending (£m)



### Comments

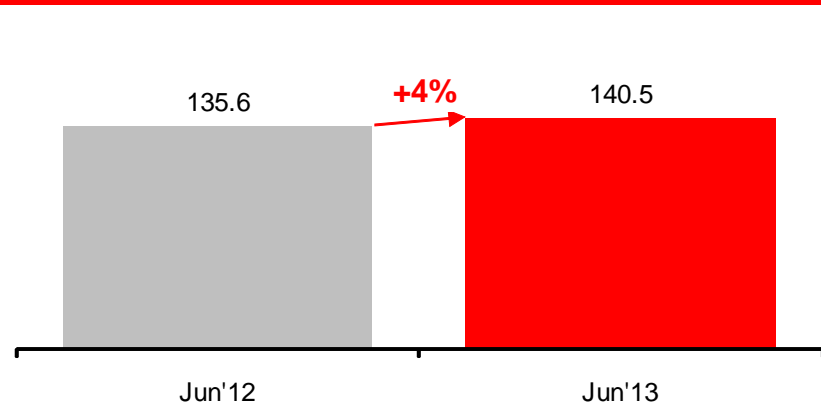
- Customer deposits were broadly stable in the first six months of 2013 but with a qualitative shift towards accounts offering better customer relationships
- The 1|2|3 Current Account is central to our retail customer relationship model and was the main driver of the 60% increase in current account deposits from a year ago
- Continued focus on unsecured lending only to higher quality personal customer segments, particularly those with an existing relationship with the bank

<sup>1</sup> Excludes cahoot, business banking, Cater Allen and Offshore

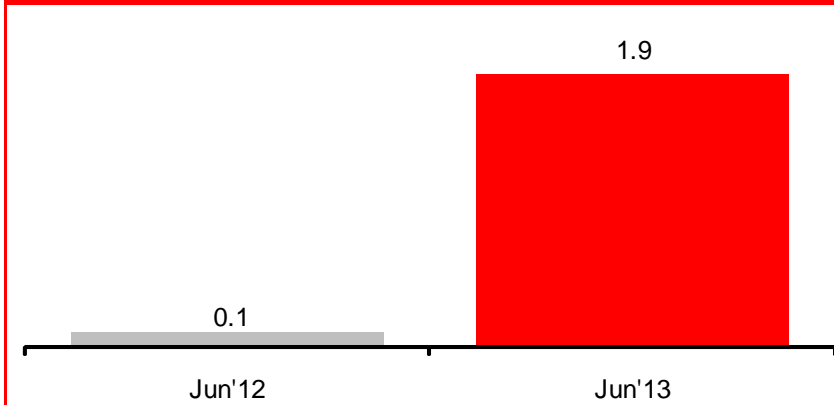
# Business Update – Customer Deposits

## Increased deposits with better quality mix

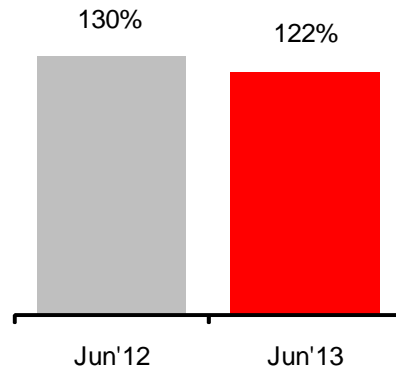
UK Banking deposit stock (£bn)



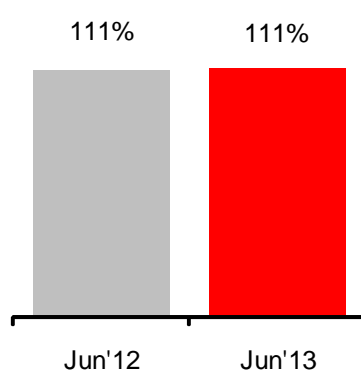
Customer deposit flows (£bn)



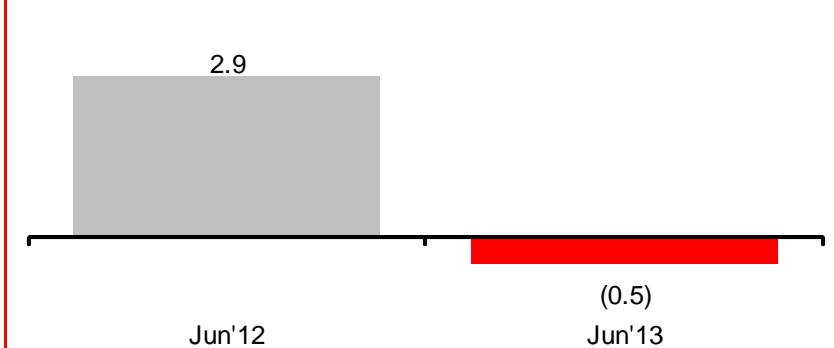
Loan:deposit ratio<sup>1</sup>



Customer deposits and MTF to customer loans<sup>2</sup>



Retail deposit flows (£bn)

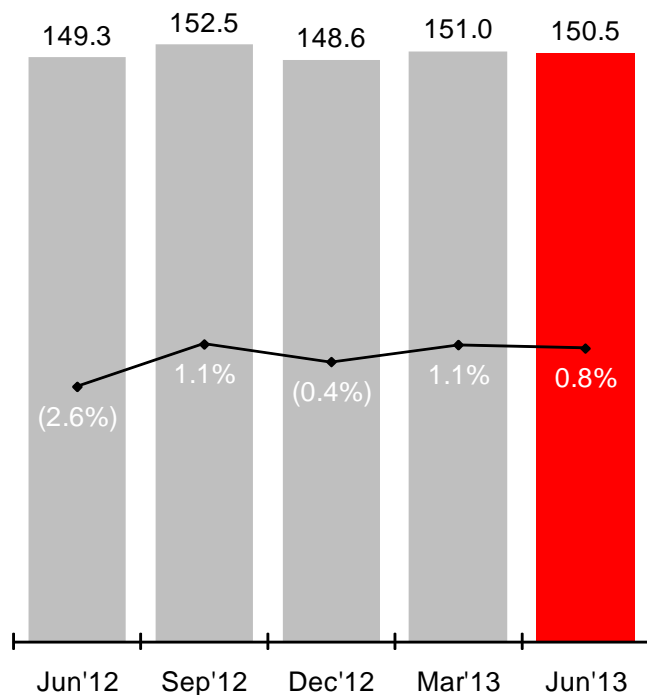


<sup>1</sup> Calculated as Loans and Credits divided by Customer Deposits on the face of the balance sheet in slide 39

<sup>2</sup> Calculated as Customer Deposits and MTF divided by loans and credits

# Business Update – Customer Deposits and Funds Under Management

## Focus on building relationship based core UK Banking deposits



£bn	Jun'13	Jun'13 v Jun'12
Retail Banking	126.7	2%
Corporate Banking	13.8	22%
<b>UK Banking</b>	<b>140.5</b>	<b>4%</b>
Non-core corporate	10.0	(27%)
<b>Total customer deposits</b>	<b>150.5</b>	<b>1%</b>
<b>FUM<sup>1</sup></b>	<b>7.4</b>	<b>10%</b>
<b>Total funds under management</b>	<b>157.9</b>	<b>1%</b>

<sup>1</sup> Managed through Santander Asset Management

◆ Growth rates (%)



# Agenda

- Market Environment

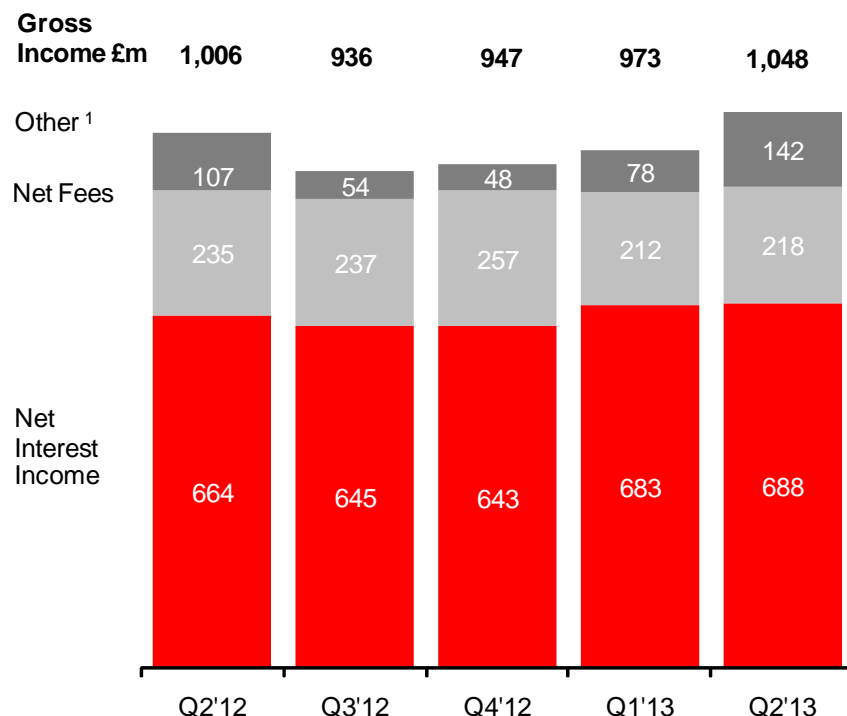
- **First Half 2013**

- Strategic and Business Update

- **Results**

# Results – Gross Income

**Quarterly recovery in Net Interest Income, despite the impact of persistent low interest rates and funding costs**



£m	H1'13	H1'13 v H1'12	H1'13 v H2'12
Net Interest Income	1,371	(3%)	6%
Net Fees	430	(9%)	(13%)
<b>Subtotal</b>	<b>1,801</b>	<b>(5%)</b>	<b>1%</b>
Other <sup>1</sup>	220	6%	117%
<b>Gross Income</b>	<b>2,022</b>	<b>(3%)</b>	<b>7%</b>

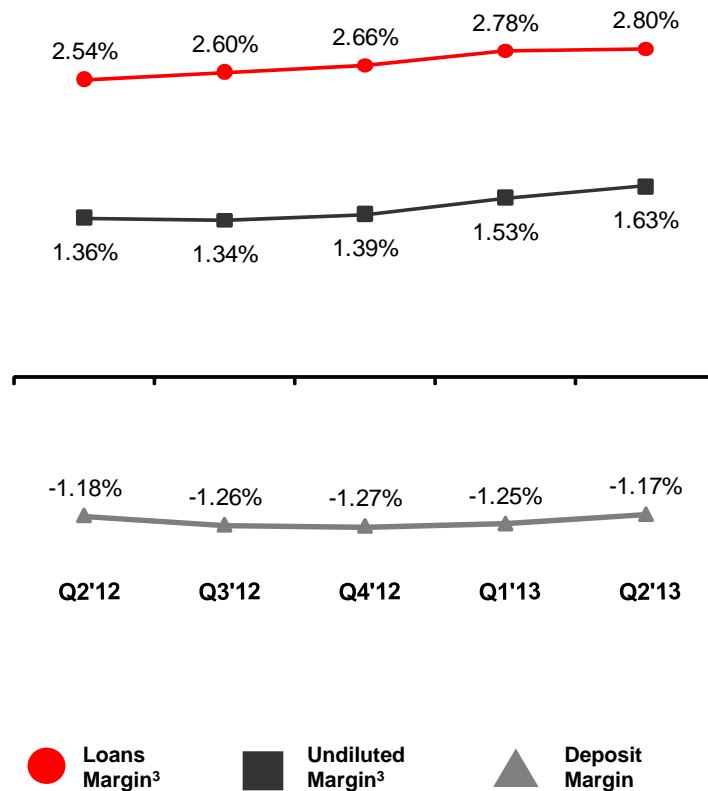
- Net interest income declined 3% versus H1'12, due to the continued impact of structural market conditions and increased customer deposit funding costs. In part this was mitigated by a higher residential mortgage stock interest margin and increased lending in Corporate Banking
- Net fees were lower, following a particularly strong H1'12. A solid performance in Retail Banking saw an improvement in Q2'13 versus Q1'13
- Gross income showed an upturn on H2'12, mainly reflecting an improved gain on financial transactions and higher NII

<sup>1</sup> Other includes gains on financial transactions and other operating income

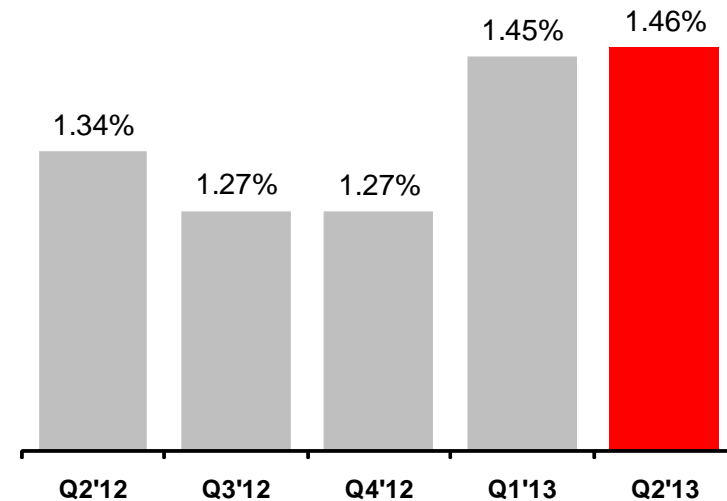
# Results – Banking NIM

**Loan margins continue to widen ... deposit margin pressures abating  
... upturn of Banking NIM**

**Loan and Deposit Margins<sup>1</sup>**



**Banking NIM<sup>2</sup>**



- New mortgage loan margins are declining in response to market competition and easing conditions
- Reduced funding costs reflect reduced market competition, particularly for e-saver and instant access deposits

<sup>1</sup> Undiluted Spread: Sum of Loan Margin and Deposit Margin (annualised)

Loan margin calculated as 'Net Interest Income (including benchmark funding) on customer loans divided by average customer loans'

Deposit margin calculated as 'Net Interest Income (including benchmark funding) on customer deposits divided by average customer deposits'

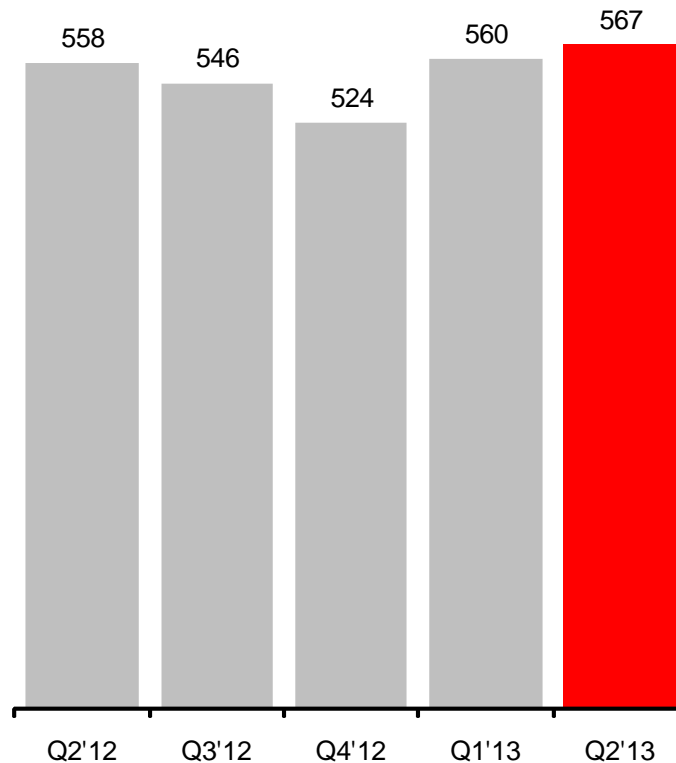
<sup>2</sup> Banking NIM calculated as 'total statutory net interest income (annualised quarter) divided by average total customer assets', formerly described as Commercial Banking Margin

<sup>3</sup> Loans and Undiluted margins restated for the impact of the co-brands credit cards discontinued operations

# Results – Operating Expenses

Continuing to fund investments primarily through efficiencies

25,006 24,585 23,981 23,862 23,801 FTE<sup>1</sup>



Operating Expenses £m

£m	H1'13 YTD	H1'13 YTD v H1'12 YTD
General & administrative expenses	962	0%
Investment (depreciation)	165	10%
<b>Operating Expenses</b>	<b>1,127</b>	<b>2%</b>

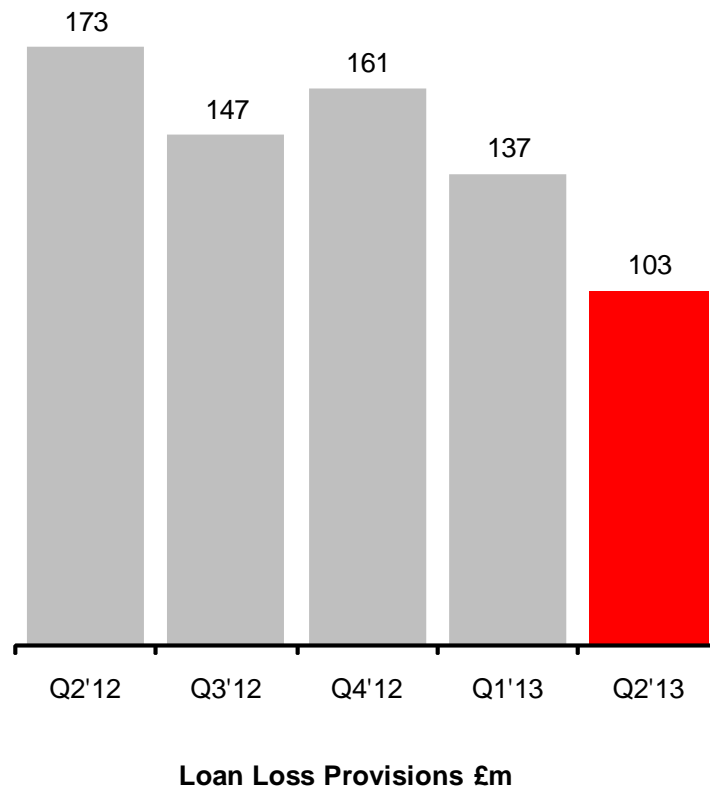
- Operating expenses 2% higher than H1'12, principally due to increased regulatory compliance and control costs. Partially offset by de-duplication of the branch network and reduced staff headcount, with improved levels of efficiency
- Investments included initiatives focused on improving customer experience, the branch network, our affluent proposition 'Select', our Corporate Banking platform and regional Corporate Business Centres
- The cost to income ratio increased to 56%, largely driven by the revenue performance

<sup>1</sup> FTE – Full-time equivalent employee numbers

# Results – Net Loan Loss Provisions

## Credit provisions reduced in H1'13

38%	45%	44%	42%	42%	Total Coverage (Reserves / NPL)
1.83%	1.94%	2.05%	2.03%	2.01%	Total NPL (NPL / Customer Loans)

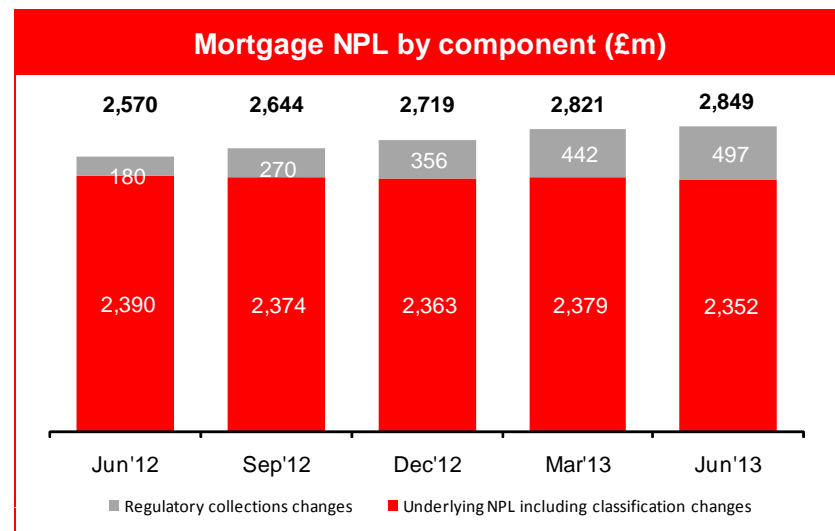
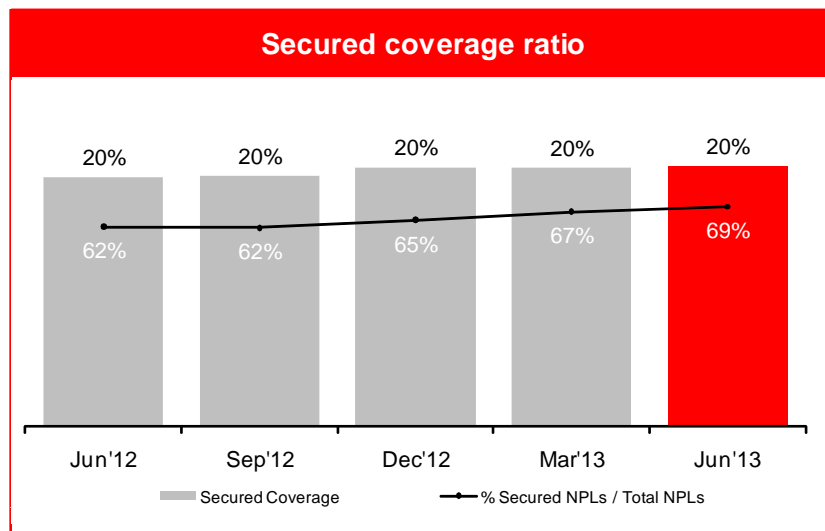
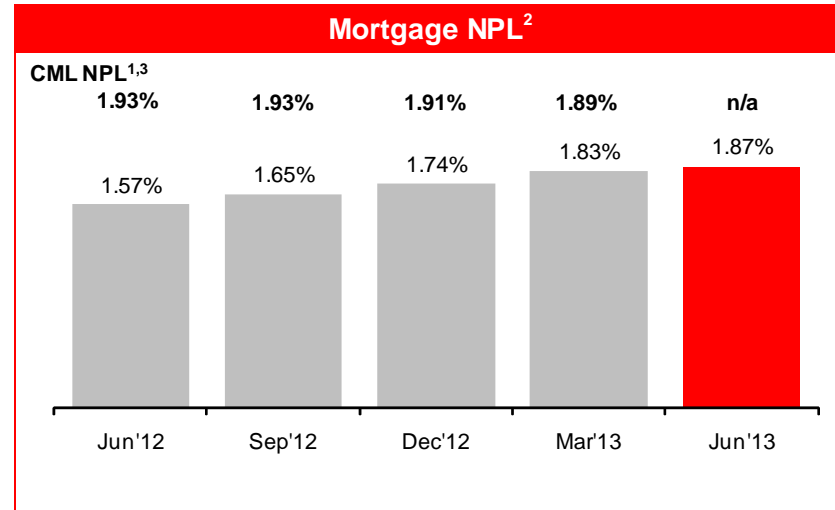
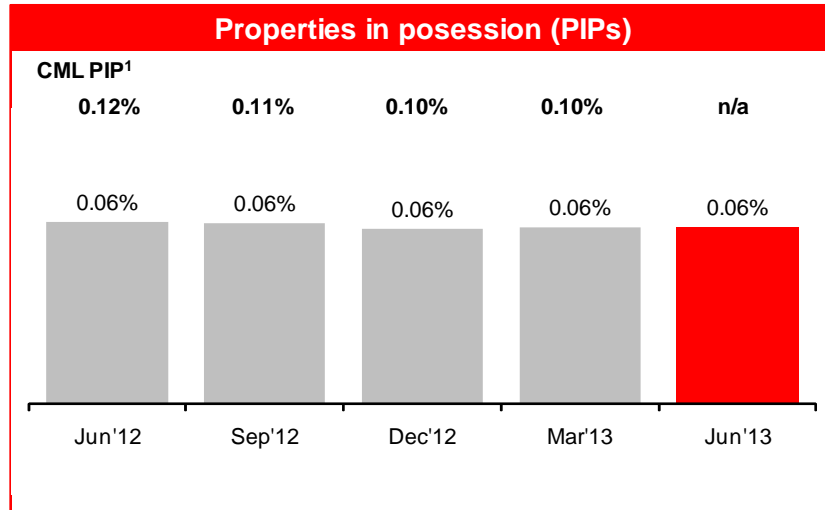


### Comments

- Impairment losses on loans and advances fell 31%. The reduction reflected lower provisions on the non-core corporate and legacy portfolios
- Significant improvement in the credit condition of unsecured loans in Retail Banking
- Benign credit conditions in Retail Banking and Corporate Banking
- Tightened lending criteria in Q1'12 on interest only and higher loan to value mortgages
- Mortgage NPL coverage remained flat at 20% in H1'13, consistent with the same period in 2012
- Underlying mortgage NPL stable; headline NPL rose on regulatory collection changes made in 2012

# Results – Mortgage Credit Quality

## Strong mortgage NPL coverage levels maintained



<sup>1</sup> CML data for June 2013 not available at time of reporting

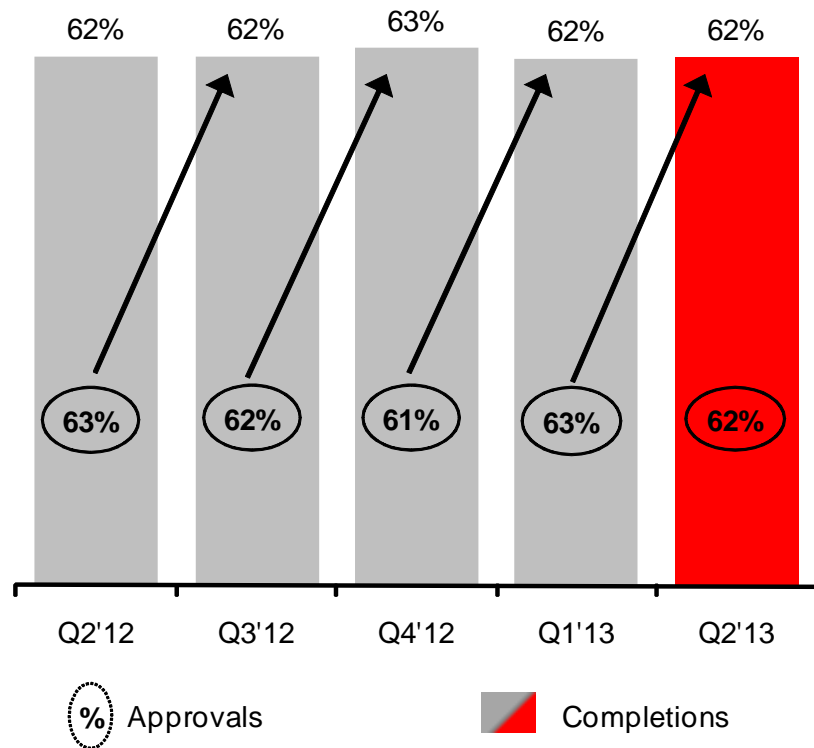
<sup>2</sup> Santander UK Mortgage NPL on a value basis

<sup>3</sup> CML NPL relates to the UK banking sector's residential mortgages on a volume basis

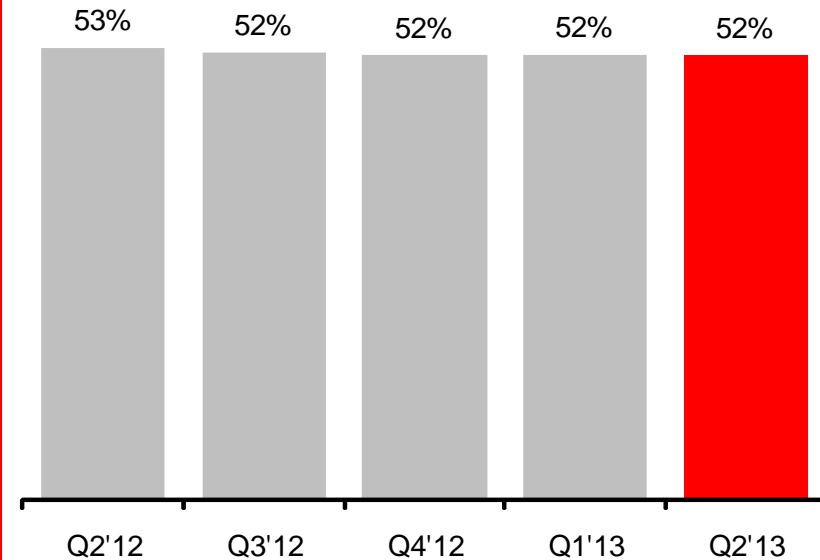
# Results – Mortgage Credit Quality

**New business and stock LTVs confirm our mortgage credit quality**

**Average new business mortgage LTV<sup>1</sup>**



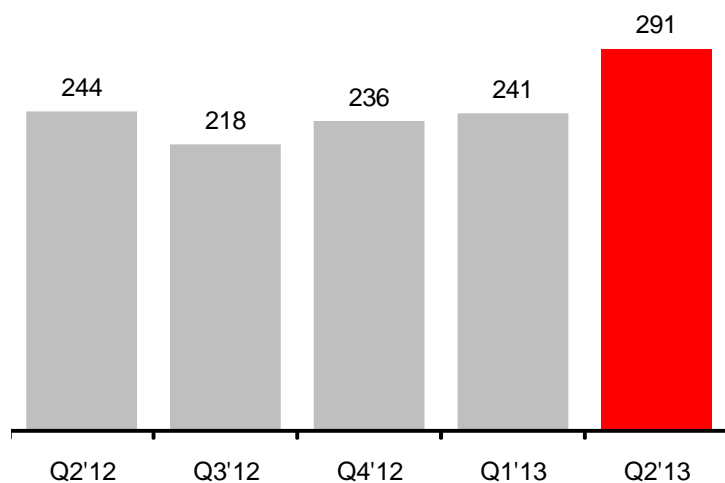
**Average indexed mortgage LTV on stock**



<sup>1</sup> Based on mortgage completions

# Results – Profit Before Tax

## Profit before tax now stabilising



£m	H1'13	H1'13 v H2'12	H1'13 v H1'12
PBT	532	17%	(4%)
Provision for income tax	(106)	14%	(23%)
Recurrent PAT	426	18%	3%
Non-recurring PAT <sup>1</sup>	(12)	n.m.	n.m.
Profit after tax	414	(10%)	(6%)

<sup>1</sup> Results have been amended to reflect the sale of the co-brand credit cards business



# Outlook

## Loyal and satisfied customers

- Continued focus on **transforming the business** towards a relationship-centred retail and commercial bank
- Building profitable **primary banking relationships** through 1|2|3 World
- Non-1|2|3 Santander UK **customer opportunity of c. 13 million**
- Further **enhancement of the customer experience** and the **development of the channel capability**

## 'Bank of Choice' for UK companies

- Continued **corporate loan growth**, diversifying the business mix towards a **8% SME market share** and **20% core corporate loan share**
- Increase revenues from **ancillary services/fee based products**
- Improve overall **segment profitability**

## Consistent profitability and strong balance sheet

- **Positive trends evident in the Banking NIM**; focus on profitability versus volumes
- Management of BAU costs whilst **continuing to invest in products and services**
- Credit conditions to **gradually improve**
- **Mortgage book** to stabilise; qualitative shift towards customer deposits offering **better relationships**
- Maintaining **strong capital ratios**
- Medium term **target RoTBV of 13% - 15%**, with rising interest rates

# APPENDIX

- **Financial Results**
- **Balance Sheet**

# Financial Results

# Financial Results – United Kingdom Profit and Loss

£ million

	30.06.13	30.06.12	Variation	
			Amount	%
<b>Net interest income</b>	<b>1,371</b>	<b>1,416</b>	<b>(45)</b>	<b>(3.2)</b>
Net fees	430	470	(40)	(8.6)
Gains (losses) on financial transactions	210	195	15	7.8
Other operating income*	10	12	(2)	(15.8)
<b>Gross income</b>	<b>2,022</b>	<b>2,094</b>	<b>(72)</b>	<b>(3.4)</b>
Operating expenses	(1,127)	(1,110)	(17)	1.6
General administrative expenses	(962)	(961)	(2)	0.2
<i>Personnel</i>	(601)	(608)	7	(1.1)
<i>Other administrative expenses</i>	(361)	(353)	(9)	2.5
Depreciation and amortisation	(165)	(149)	(15)	10.3
<b>Net income</b>	<b>894</b>	<b>984</b>	<b>(89)</b>	<b>(9.1)</b>
Net loan loss provisions	(239)	(345)	106	(30.7)
Other income	(123)	(84)	(38)	45.4
<b>Ordinary profit before taxes</b>	<b>532</b>	<b>554</b>	<b>(22)</b>	<b>(3.9)</b>
Tax on profit	(106)	(139)	32	(23.3)
<b>Ordinary profit from continuing operations</b>	<b>426</b>	<b>416</b>	<b>11</b>	<b>2.6</b>
Net profit from discontinued operations <sup>1</sup>	(12)	26	(38)	n.m.
<b>Ordinary consolidated profit</b>	<b>414</b>	<b>441</b>	<b>(27)</b>	<b>(6.1)</b>
Minority interests	—	—	—	—
<b>Ordinary attributable profit to the Group</b>	<b>414</b>	<b>441</b>	<b>(27)</b>	<b>(6.1)</b>
Net capital gains and provisions	—	—	—	—
<b>Attributable profit to the Group after significant items</b>	<b>414</b>	<b>441</b>	<b>(27)</b>	<b>(6.1)</b>

\* Including dividends, income from equity-accounted method and other operating income/expenses

<sup>1</sup> Results have been amended to reflect the sale of the co-brand credit cards business

# Financial Results – United Kingdom Profit and Loss

£ million

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
<b>Net interest income</b>	<b>752</b>	<b>664</b>	<b>645</b>	<b>643</b>	<b>683</b>	<b>688</b>
Net fees	236	235	237	257	212	218
Gains (losses) on financial transactions	93	102	54	44	73	137
Other operating income*	7	5	0	4	5	6
<b>Gross income</b>	<b>1,088</b>	<b>1,006</b>	<b>936</b>	<b>947</b>	<b>973</b>	<b>1,048</b>
Operating expenses	(552)	(558)	(546)	(524)	(560)	(567)
General administrative expenses	(475)	(485)	(456)	(457)	(476)	(486)
<i>Personnel</i>	(304)	(304)	(310)	(291)	(301)	(300)
<i>Other administrative expenses</i>	(171)	(181)	(146)	(165)	(175)	(186)
Depreciation and amortisation	(77)	(72)	(90)	(67)	(83)	(81)
<b>Net income</b>	<b>535</b>	<b>448</b>	<b>390</b>	<b>423</b>	<b>413</b>	<b>481</b>
Net loan loss provisions	(172)	(173)	(147)	(161)	(137)	(103)
Other income	(53)	(32)	(24)	(27)	(35)	(87)
<b>Ordinary profit before taxes</b>	<b>311</b>	<b>244</b>	<b>218</b>	<b>236</b>	<b>241</b>	<b>291</b>
Tax on profit	(81)	(57)	(44)	(49)	(51)	(56)
<b>Ordinary profit from continuing operations</b>	<b>229</b>	<b>186</b>	<b>174</b>	<b>187</b>	<b>191</b>	<b>235</b>
Net profit from discontinued operations	14	12	16	20	—	(12)
<b>Ordinary consolidated profit</b>	<b>243</b>	<b>198</b>	<b>190</b>	<b>207</b>	<b>191</b>	<b>224</b>
Minority interests	—	—	—	—	—	—
<b>Ordinary attributable profit to the Group</b>	<b>243</b>	<b>198</b>	<b>190</b>	<b>207</b>	<b>191</b>	<b>224</b>
Net capital gains and provisions	—	—	65	—	—	—
<b>Attributable profit to the Group after significant items</b>	<b>243</b>	<b>198</b>	<b>256</b>	<b>207</b>	<b>191</b>	<b>224</b>

\* Including dividends, income from equity-accounted method and other operating income/expenses

# Balance Sheet

# Financial Results – United Kingdom Balance Sheet

£ million			Variation	
	30.06.13	30.06.12	Amount	%
Loans and credits	204,204	221,325	(17,121)	(7.7)
Trading portfolio (w/o loans)	29,574	32,062	(2,488)	(7.8)
Available-for-sale financial assets	5,178	4,851	327	6.7
Due from credit institutions	13,784	13,786	(1)	(0.0)
Intangible assets and property and equipment	2,039	1,955	84	4.3
Other assets	42,577	37,635	4,942	13.1
<b>Total assets</b>	<b>297,358</b>	<b>311,614</b>	<b>(14,256)</b>	<b>(4.6)</b>
Customer deposits	168,007	170,390	(2,383)	(1.4)
Marketable debt securities	57,381	65,056	(7,675)	(11.8)
Subordinated debt	4,455	6,864	(2,409)	(35.1)
Insurance liabilities	—	—	—	—
Due to credit institutions	24,179	26,932	(2,753)	(10.2)
Other liabilities	32,109	31,541	567	1.8
Shareholders' equity*	11,227	10,830	397	3.7
<b>Total liabilities &amp; shareholders' equity</b>	<b>297,358</b>	<b>311,614</b>	<b>(14,256)</b>	<b>(4.6)</b>
Mutual funds	9,161	12,997	(3,836)	(29.5)
Pension funds	—	—	—	—
Managed portfolios	—	—	—	—
Savings-insurance policies	—	—	—	—
<b>Customer funds under management</b>	<b>239,004</b>	<b>255,308</b>	<b>(16,304)</b>	<b>(6.4)</b>
<b>Commercial Loans included above**</b>	<b>191,000</b>	<b>201,600</b>	<b>(10,600)</b>	<b>(5.3)</b>
<b>Commercial deposits included above</b>	<b>150,500</b>	<b>149,300</b>	<b>1,200</b>	<b>0.8</b>

\* Not including profit of the year

\*\* Excludes London Branch

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